European steel
Can the rescue plan be rescued?
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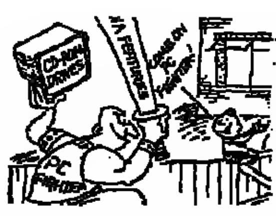

Personal computing
An invasion heads for the home
Page 7

Oil in Nigeria
Disputes put revenue at risk
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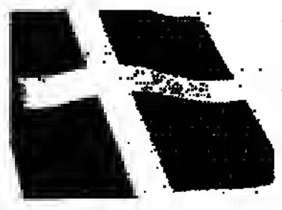

Danish food
An appetite for world markets
Pages 10-13

FINANCIAL TIMES

Europe's Business Newspaper — TUESDAY JUNE 7 1994 — D8523A

Philip Morris acts against Australian ban on advertising

Philip Morris, US cigarettes, food and brewing giant, launched a High Court action in Australia, seeking to overturn the country's ban on cigarette advertising on the grounds that it denies "commercial freedom of speech".

Tobacco advertising became illegal in Australia last year. The country will also phase out cigarette sponsorship of sporting events by the mid-1990s unless exemptions are obtained. Page 18

South Korea steps up state of readiness: South Korea took emergency steps to guard against a possible military response by North Korea in the dispute over nuclear inspections. Page 18

Sara Lee Corporation, US food and personal products company, is to take a $495m after-tax charge against earnings in its fourth quarter for a worldwide restructuring effort. Page 19

Veterans gather on Omaha beach: Veterans and international leaders gathered on Omaha beach, the most notorious of the five Normandy landing points because of heavy US casualties, for the closing ceremony of the D-Day commemorations. Page 18

BPC puts off flotation: British Printing Company, the UK's largest commercial printer, postponed its planned flotation and said it was now unlikely to seek a stock market listing before the end of the year. Page 20; Lex, Page 18

160 die in China air crash: A China Northwest Airlines Tupolev-154 on e flight from the tourist centre of Xian to the southern city of Guangzhou crashed shortly after takeoff, killing all 160 people on board. Page 5; China air space rows, Page 4

Franco-US plastics venture: Union Carbide of the US and Elf-Atochem of France, part of Elf Aquitaine, are to create a joint venture in France for the manufacture of specialist plastics. Page 4

El Al sale planned: The Israeli government announced plans to sell off 51 per cent of El Al, the national airline, by the end of the year, with the remaining 49 per cent to be disposed of later. Page 5; Swire chief gives pledge on ownership of Cathay, Page 22

Smiths pays $350m for US medical group: Smiths Industries, UK aerospace and healthcare group, is paying $350m for Deltec, a US medical equipment manufacturer owned by Pharmacia of Sweden. Page 25

Electricidade de Portugal, state-owned power utility, is to be split into 10 enterprises and electricity production and distribution is to be partially privatised. Page 19

Dutch telecoms shares priced: A first tranche of shares in Koninklijke PTT Nederland, state-owned Dutch postal and telecommunications operator, will be floated next week at Fl 49.75 a share, valuing the company at Fl 22.9bn ($12.3bn). The price is slightly higher than many analysts had predicted. Page 19

Thailand's Imperial Hotels sold for $132m: Thailand's Imperial Hotels Group has been sold to Charoen Siriwattanapakdi, one of the country's richest men, in a deal which values the company at $132m. Page 22

Arms pour into Turkey and Greece: The arsenals of Turkey and Greece, nominal Nato allies whose chronically tense relations have come under fresh strain in recent weeks, are being upgraded at an unprecedented pace, an independent study shows. Page 2

Norway in gas deal with France: Norway announced a 20-year contract, valued at NKr50bn ($6.9bn) at current prices, to supply natural gas to France. Page 4

UK car registrations rise 10%: New UK car registrations in May were up 10 per cent year-on-year to 150,070 as demand rebounded from the impact of tax increases in April, the Society of Motor Manufacturers and Traders said. Page 6

BAA to double airport investment: BAA, the privatised UK airports group, announced plans to double capital spending to £1.4bn ($2.1bn) over the next three years after reporting a 13 per cent rise in annual pre-tax profits to £322m. Page 19; Lex, Page 18; £1bn Heathrow outlay planned, Page 24

Stagnant incomes for top accountants: Five of the UK's "Big Six" accountancy firms experienced virtually stagnant fee incomes and cut staff sharply in the last year, figures released yesterday show. Page 20

STOCK MARKET INDICES

FT-SE 100:	3009.4	(+11.6)
Yield	4.10	
FT-SE Eurotrack 100	1416.61	(+15.23)
FT-SE-A All-Share	1515.38	(+0.4%)
Nikkei	20,726.65	(-227.54)
New York lunchtime:		
Dow Jones Ind Ave	3783.80	(+11.38)
S&P Composite	461.09	(+0.87)

US LUNCHTIME RATES

Federal Funds:	4¼%
3-mo Treas Bills: Yld	4.178%
Long Bond	88¼
Yield	7.214%

LONDON MONEY

3-mo Interbank	5⅛%	(same)
Liffe long gilt future:	Jun 103	(Jun 103⅜)

NORTH SEA OIL (Argus)

Brent 15-day (July)	$16.255	(16.19)

Gold

New York Comex (Aug)	$382.8	(383.2)
London	$378.80	(381.0)

STERLING

New York lunchtime:		
$	1.50645	
London:		
$	1.5076	(1.5046)
DM	2.5164	(2.5074)
FFr	8.5854	(8.5533)
SFr	2.1364	(2.1283)
Y	158.826	(158.352)
£ Index	80.6	(80.4)

DOLLAR

New York lunchtime:		
DM	1.66965	
FFr	5.6950	
SFr	1.415	
Y	105.325	
London:		
DM	1.6692	(1.6665)
FFr	5.6948	(5.6848)
SFr	1.4171	(1.4145)
Y	105.350	(105.245)
$ Index	65.7	(65.8)
Tokyo close Y 105.38		

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lv25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KS50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira60	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Peso55	Syria	S£50.00
France	FFr9.50	Kuwait	Fils625	Poland	Zl 32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Es225	Turkey	L30000
						UAE	Dh12.00

LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Delors retreat boosts prospects for summit

By Lionel Barber in Luxembourg

Mr Jacques Delors, president of tha European Commission, yesterday staged a tactical retreat over his plans to launch "Union bonds" to finance the multi-billion dollar transport, telecommunications and energy projects known as trans-European networks.

In a further conciliatory gesture, Mr Delors agreed to a German plan to set up an independent panel of experts to study barriers to deregulation on condition that it examined both EU and national laws.

The compromise on deregulation cools a potentially damaging row between the Commission and an Anglo-German alliance favouring tighter controls on Brussels legislation.

As a result of the two agreements a meeting of EU finance ministers in Luxembourg ended on a positive note, boosting prospects for e harmonious European summit in Corfu later this month. But there is still a risk of a showdown between EU heads of government over who should succeed Mr Delors as head of the Commission.

Arguments over financing of the trans-European networks quickly evaporated at yesterday's session in Luxembourg. Mr Delors stated et the outset he was unwilling to press the case for Commission borrowing on the capital markets to fill an alleged "financing gap" of around Ecu5bn ($5.8bn).

The UK, Germany, the Netherlands and Italy all made clear that they wanted strict appraisal of the feasibility of the networks – e point echoed by Sir Brian Unwin, president of the European Investment Bank, which is expected to provida the bulk of capital.

Sir Brian said: "I will not express any views on whether there needs to be a new financial instrument, but the EIB is ready to do very much more in financing networks. The EIB can raise very large financing for sound projects."

A working group headed by Mr Henning Christophersen, economics commissioner, has identified 10 priority projects. These include high-speed rail links from Paris to Strasbourg, and Munich to Berlin; e rail-road tunnel through the Brenner pass in Italy; and motorway routes between Lisbon and Valladolid in Spain.

Mr Delors, who views the networks as vital for improving European competitiveness and creating jobs, said he hoped work could start on January 1 1996. He remains adamant, however, that the private sector and the EIB alone cannot raise enough capital.

Under the new deal on deregulation, a panel of experts will not only scrutinise existing European Union laws, but will put member states under the microscope in recognition that most labour market law is at national level. "This way we have dealt with Mr Delors' complaint that the Commission was being turned into a scapegoat," said one diplomat.

The panel is likely to include academics, businessmen and civil servants from member states with a remit to produce a report by 1995.

March past: Chancellor Helmut Kohl of Germany (left) and Spanish prime minister Felipe Gonzalez inspect the guard of honour et Schwerin in east Germany. The two leaders were in the town for Franco-German talks yesterday on co-ordinating European Union policies. A news conference is planned for this morning

Picture: Reuter

Boost from US demand and European exports

Stronger growth in industrial nations forecast by OECD

By Peter Norman, Economics Editor, in Paris

The Organisation for Economic Co-operation and Development has revised upwards its projections of economic growth in the industrialised world this year to reflect stronger than expected US expansion and improved European exports.

The organisation, which last night released highlights of its latest forecasts ahead of today's annual meeting of OECD ministers in Paris, now expects industrial countries will grow by 2.6 per cent this year, half a percentage point more than in its last forecast in December.

Its projections, which do not include Mexico, which joined the OECD last month, suggest that the 24 longest-established member states will echieve overall growth of 2.9 per cent next year, up slightly from 2.7 per cent forecast six months ago.

Officials said the npward revision reflected the effects of strong US growth in the final quarter of last year, better than expected exports from Europe, and the Jepanese government's economic stimulation package of February.

The organisation expects a robust 4.4 per cent increase in US domestic demand in 1994 will lift gross domestic product by 4 per cent this year, compared with its previous forecast of 3.1 per cent GDP growth.

Although it expects US GDP growth next year will slow to 3 per cent, this rate of expansion would still be faster than the 2.7 per cent growth forecast for 1995 in December.

In Germany's case, it now expects GDP growth of 1.8 per cent this year compared with 0.8 per cent previously. While exports are expected to be buoyant, Germany's domestic demand is expected to increase by only 1 per cent this year and 2.2 per cent next year.

German GDP is projected to grow by 2.6 per cent next year compared with the 2.2 per cent forecast last December.

Tbe OECD disclosed slight upwards revisions to its projections for Japanese growth. It expects Japan's economy will expand 0.8 per cent tbis year, against 0.5 per cent previously, and 2.7 per cent in 1995.

The OECD forecasts a continuing divergence of employment trends between the US and Europe. It expects average unemployment in the US to drop below 6 per cent of the labour force next year, while in Europe it is expected to average nearly 12 per cent.

Inflation, as measured by the GDP deflator, is expected to decline in Europe and be broadly steady in Jepan over the next 18 months, but is forecast to quicken in the US to 3.1 per cent by the end of 1995 from 2.1 per

Continued on Page 18
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OECD OUTLOOK
Summary of projections*
(Seasonally adjusted at annual rates)

	1993	1994	1995
Real GDP (% change)**			
US	3.0	4.0	3.0
Japan	0.1	0.8	2.7
Germany	-1.3	1.8	2.8
OECD Europe	-0.2	1.9	2.8
Total OECD	1.2	2.6	2.9
World Trade	3.3	6.7	7.2
Inflation (GDP deflator) (% change **)			
US	2.5	2.1	2.8
Japan	1.0	0.8	0.8
Germany	3.8	2.8	2.0
OECD Europe	3.6	2.9	2.4
Total OECD	2.6	2.1	2.3

*Main assumptions include: no change in policies; no change in exchange rates from May 10 1994
**From previous period
Source: OECD Outlook 55, to be published late June 1994

Unilever hits back as detergents battle heats up

By Tony Jackson in London and Ronald van de Krol in Amsterdam

The wrangle over Unilever's revolutionary new detergent showed no sign of easing yesterday as the Anglo-Dutch giant claimed sharp increases in UK market share despite accusations from e rival that it damages clothes.

But in the Netherlands a leading supermarket chain said it was considering whether to stop stocking the product.

The detergent, launched across Europe last month under various brand names such as Persil Power and Omo Power, has been ettacked as harmful to clothes by manufacturer Procter & Gamble.

Unilever said yesterday that Persil Power's share of the total UK detergent market had jumped from 7 per cent to 10 per cent in recent weeks. Its UK share of the fast-growing market for concentrated detergents, in which Unilever has lost ground to Procter & Gamble in recent years, is estimated to have risen from about 20 per cent to 30 per cent.

Mr Andrew Seth, chief executive of Unilever'a UK detergents business, said this was a larger and faster increase than the company had expected.

Albert Heijn, the biggest Dutch supermarket chain, yesterdey asked Unilever for further information about the detergent so that it can decide whether to continue stocking it. Heijn said it expected to hear from Unilever today.

"There have been reports in the media that the product is not reliable, but it is only fair and

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Sprint and EDS to continue talks after merger fails

By Martin Dickson in Kansas City and Andrew Adonis in London

Sprint, the US telecommunications group, and Electronic Data Systems, the world's largest computing services company, said yesterday that they had abandoned negotiations for a $30bn merger but were still exploring other forms of strategic relationship.

Tbe merger talks failed because of a disagreement between the two sides over the value to be placed on Sprint, according to sources close to the negotiations.

Mr Les Alberthal, chairman of EDS, and Mr William Esrey, chief executive of Sprint, said yesterday that they still believed the convergence of their two industries would create tremendous opportunities. While a merger was no longer being discussed, "there may be other ways we can work together to achieve strategic objectives."

Sprint, the third largest US long-distanca operator, ia believed still to be seeking an alliance with e European telecoms group to further its international ambitions. It has been in talks with the French and German state telecoms operators, but the discussions do not appear to have influenced the failure of the EDS deal.

Sprint, based in Kansas City, Missouri, declines to confirm or deny the European discussions. But one source claimed yesterday that European partners had been looking at a significant equity investment in Sprint or the combined Sprint/EDS group.

One European analyst said: "Sprint needs an alliance to be credible outside the US: but it needs a cash injection if it is to go anywhere, which makes a Franco-German link up very attractive." A merger with EDS might have led to the creation of an information services powerhouse, with a market capitalisation of $30bn and annual revenues of more than $20bn.

The immediate reason for the collapse of the merger was money. The proposal under discussion involved EDS shareholders getting one new share in the combined company for every EDS share. EDS thought Sprint shareholders should get 1.1 shares in the new business, while Sprint demanded 1.3. EDS seems to have been surprised at the premium demanded by Sprint in what had been billed a "merger of equals". However, some Wall Street analysts said yesterday that a deal at 1.1 ratio could have meant a 10 to 15 per cent dilution in Sprint earnings per share, while a 1.3 ratio migbt have added to first year earnings.

Lex .... Page 18

Dallas-based EDS has held discussions with numerous potential telecommunications partners in recent years – including British Telecom – but in the past found it hard to clinch alliances because of its unusual ownership structure.

BT has since forged a $5.3bn alliance with MCI, tbe second largest US telecoms group.

EDS is a subsidiary of General Motors, which retains ownership of its assets, while holders of a special type of GM stock, known as class E, have a claim on EDS's dividend stream.

To help the Sprint merger negotiations, GM said last month it could consider spinning off full ownership of EDS to Class E stockholders tbrougb an exchange of class E stock for new EDS common stock, orovided this was tax free.

CONTENTS

Nato arms pour into Greece and Turkey

By Bruce Clark, Defence Correspondent

The arsenals of Turkey and Greece, nominal Nato allies whose chronically tense relations have come under fresh strain in recent weeks, are being upgraded at an unprecedented pace, according to an independent study.

Last year alone, Turkey received a total of 1,017 main battle tanks – almost as much as the entire holdings of the British army – from the US and Germany, while Greece took delivery of 725, the study shows.

Figures on the two countries' arms imports were extrapolated by researchers in Britain, the US and Germany from the United Nations Register of Conventional Arms, which has been tracking the weapons trade since the beginning of 1992.

They indicate that total deliveries to Greece and Turkey in 1992-93 from Germany and the US included 2,822 tanks, 1,084 armoured combat vehicles, 303 large calibre artillery systems, 28 attack helicopters and 14 warships.

The statistics were compiled by the British American Security Information Council and the Berlin Information Centre for Transatlantic Security. Both are independent lobby groups that promote disarmament.

A spokesman for the Stockholm Institute for Peace Research, another arms trade watchdog, said its researches also pointed to a heavy flow of armaments to Greece and Turkey.

Most of the deliveries were made free of charge under a programme known as Cascade, under which the smaller Nato countries can receive weapons from allies who are obliged to slash their arsenals under arms control agreement.

Even though much of the equipment being transferred is second-hand, it represents a huge improvement over existing Greek and Turkish stocks.

Most of the tanks involved have been US-built M-60s or German Leopards, both of which carry much more sophisticated electronic equipment than the M-48 which has been a mainstay of both armies until recently.

During the cold war period, the leading Nato members worked energetically behind the scenes to put some limit on the intensity of Greek-Turkish rivalry, but this effort has now slackened.

An initiative to promote confidence-building measures among the countries of southeastern Europe – launched in Vienna under the aegis of the Helsinki process – was quietly abandoned after one meeting in March, diplomats say.

Greece and Turkey now find themselves sympathising with opposite sides in former Yugoslavia, with Turkey one of the strongest supporters of Bosnia's Moslem leadership and Greece a traditional friend of the Serbs.

Relations between Athens and Ankara have deteriorated in recent days following allegations in the Turkish media that supporters of the Kurdish insurgency which has claimed around 12,000 lives in eastern Turkey were trained in Greece.

Without directly blaming the Greek government, the Turkish authorities have pointedly drawn the attention of several western governments to these reports.

The Greek government has angrily rejected the allegations, and the Athens media have quoted a Kurdish prisoner in Turkey as saying, in a message smuggled out of jail, that his account of training in Greece was extracted under duress.

Montell plastics venture may go to court

By Emma Tucker in Brussels and Daniel Green in London

Challengers to a $8bn (£2bn) plastics joint venture between Anglo-Dutch company Royal Dutch/Shell and Italy's Montedison are likely to take the European Commission to the European Court of First Instance, one step below the European Court of Justice, if it approves the deal.

A final decision on the fiercely contested case is likely to be given tomorrow. The Commission is expected to give its approval after having considered concessions put forward by Montedison and Royal Dutch/Shell that they say will limit the strength of the joint venture.

But the deal's main challengers – principally US-owned Union Carbide – are not satisfied that the undertakings will prevent the joint venture, Montell, from dominating the European polypropylena market and hindering competition.

"There is a lot at stake," said one observer of the case. "The complainants would have to consider their position."

The challengers to the Montell deal argue that concessions – hastily presented by Montedison and Royal Dutch/Shell to the Commission last week – do not answer the objections raised by the Commission in the first place. An advisory committee to the Commission last month recommended that the deal be blocked. It is understood that their objections related to the prospect of a near monopoly on polypropylene technologies.

The creation of Montell would be one of the biggest of a series of joint ventures and asset sales in the European chemicals industry in the last two years. Manufacturers are restructuring to cope with recessioo and strong new competitors in eastern Europe, the Middle East and east Asia.

Montell would be easily the world's biggest polypropylene manufacturer. Thanks to a separate arrangement between Shell Oil, the US arm of the company, and Union Carbide, it would also give Shell control over two of the most bnportant polypropylene manufacturing technologies.

A decision by the contestants to continue the challenge in the European Court of First Instance would be an unusual step.

The Commission has only rarely been challenged, the best known case being when Air France challenged British Airways' acquisition of UK airline Dan-Air. Earlier this year, the court rejected Air France's appeal against the European Commission's finding that British Airways' acquisition of Dan Air was outside the scope of the European Merger Regulation.

Hungary looks down the Polish road

Warsaw's economic moves are attracting interest as a role model in Budapest, write **Christopher Bobinski in Warsaw and Anthony Robinson in London**

As Hungary prepares for the return of a Socialist government, Polish voters are finding that, nine months after their own elections, the Socialist-led Polish coalition government has delivered little in the way of economic pain-relief.

On the contrary, the Socialist finance minister, Mr Grzegorz Kolodko, has promised to press ahead with reforms which will cut welfare spending and focus social and pension payments more closely on the truly needy. At the same time he has promised to tighten the struggle against inflation and strengthen the institutional underpinning of the capitalist economy through the development of investment and pension funds.

Market reformers in Hungary's Socialist party, led by Mr Laszlo Bekesi, its economic spokesman, would like a Socialist-led Hungarian government to follow similar policies. But the overall majority given to the Hungarian Socialists at the second round of voting last month, means that the party will be under much stronger pressure from rank-and-file voters to deliver on its electoral promises to ease the economic pain.

Unlike Hungary, whose conservative post-Communist government decided to honour its inherited foreign debt obligations to the letter, Poland's former Communist government reneged on its official debt in the early 1980s and the first post-Communist government did likewise on its eventual $13bn bank debt shortly after taking power. Now the new Socialist-led Polish government is benefiting from Paris and London Club debt reduction and rescheduling accords.

International bankers believe one of the risks inherent in the Hungarian election result could be pressure from below for the new government to follow Poland's example and seek some form of debt relief, a temptation absolutely rejected by Hungarian governments in the past.

Thanks in part to its impeccable credit record Hungary has been the biggest recipient of foreign equity capital, more than $7bn since 1989. The new government will be extremely reluctant to put future flows at risk by changing its attitude to foreign creditors. But past borrowing has left the incoming government with a $25bn gross debt burden on the country's just over 10m inhabitants and a heavy repayment schedule. It therefore has less room for manoeuvre than the Polisb government, but will probably be under greater pressure to satisfy demands for improvements in standards of living than the Polish government where responsibility is shared between coalition partners and economic growth is raising incomes across a broad front.

Lower debt payments, and shock therapy reforms begun in 1990, helped Poland achieve a return to economic growth by 1993 while Hungary is still struggling to resume steady growth. Warsaw expects growth to continue at 4-5 per cent a year over the next two years and possibly accelerate if, as expected, foreign investment increases.

As long as Poland's coalition partners, the PSL farmers party and the post-Communist SLD stay together, they have time to push through controversial reforms of the welfare system and still run for re-election successfully in 1997, hence their willingness to continue with tough measures now.

The Polish government's economic plan for the next four years, to be unveiled in parliament shortly, includes cutting the link between pensions and average wage rises for 7m senior citizens and switching the indexation formula to a less generous inflation-linked system. It also tightens the criteria for disability pensions and unemployment benefits.

The government's strategic choice to go for the long haul and avoid short-term palliatives has disillusioned many voters but cost little in real political capital. The coalition's refusal to ease monetary and fiscal policies, which it hinted at but never actually promised during the election campaign, has caused the protest vote that swung it into power to evaporate. Its core support is still there but the government is now viewed by the mass of voters as differing little from that which ran the country after 1989 when the Communist system slipped from the stage with barely a whimper.

The failure of an attempt by the Solidarity trade union, now back in opposition, to get a general strike under way in April left the government feeling confident that it could ride out future discontent as it awaits the economic upswing to translate into tangible improvements for the man in the street.

Prime minister Waldemar Pawlak of Poland: tough measures in store in new economic plan AP

The benefits of tough financial and monetary policies are already becoming more apparent. For a start, Polish unemployment is beginning to fall. Registered unemployed have fallen for two months in succession to 2.9m or 13.7 per cent of the workforce, while industrial output in the first four months of the year was running 10 per cent higher than in the same period last year.

Corporate profits are also improving as productivity grows and costs come under control. Industrial companies earned 9,000bn zlotys (£265m) net in the first three months of the year compared to a 1,138bn zloty net loss in the same quarter of 1993. Foreign currency reserves, at more than $4bn, also continne to grow, even though the country registered a payments deficit of $438m in the first quarter as exports continned to lag behind imports, producing a trade deficit which the government expects to continne until 1997 at least.

Meanwhile, the budget deficit remains under control and inflation is falling to an expected annual rate of 25 per cent this year, down from 35 per cent in 1993. This has allowed the bank to lower base interest rates by a point or two last month. This has left the NBP confident enough to press ahead with introducing a "hard zloty" next January. The change will erase four zeros so that one US dollar will no longer be worth around 25,000 but only 2.5 zlotys.

Critics of the Polish government, however, question its performance and argue that the positive outcome of the past nine months is the result of the policies of previous Solidarity coalition government led by Ms Hanna Suchocka. They fear that the present government, led by Mr Waldemar Pawlak from the PSL farmers party and sensitive to protectionist and other claims from the powerful farmers' lobby, will sooner or later turn to more inflationary policies.

Ankara seeks to soothe debt concerns

By John Murray Brown in Istanbul

Turkey yesterday sought to reassure foreign bankers that it will meet its international debt obligations, amid tentative signs the government's liquidity crisis is easing.

Speaking to a conference in Istanbul, Mr Bulent Ozgun, head of the government's debt department, said the country would meet the $9.1bn in capital and interest owed on its $67bn foreign debt this year.

The government last week eased its immediate liquidity worries, successfully returning to local debt markets, selling 3-month paper at 50 per cent interest. The tighter monetary conditions helped stabilise the lira, which yesterday was trading at around 33,000 to the dollar compared with 41,000 in mid-April.

Turkey's growing foreign debt burden is a function of last year's fiscal strategy, which relied on heavy offshore borrowing in an effort to ease the pressure on domestic interest rates, reduce budget costs and avoid crowding out the private sector. But after pulling a $900m global issue in March, and repeated credit downgradings by both Standard & Poor's and Moody's, the US rating agencies, Turkey will need the help of bilateral and multilateral official creditors if it is to avoid a debt rescheduling.

Mr Ozgun yesterday criticised international credit agencies for being too hasty in downgrading Turkey in January, the event which triggered the run on the currency and plunged the country into this five-month crisis. "We paid our debts during the worst times, and we will continue doing so," he said. He ruled out an early return to the bond markets, however the government is looking to secure agreement with the International Monetary Fund early next month on a standby facility, in an effort to boost investor sentiment.

With an economic slowdown likely and the devaluation, officials expect a cut in imports. With tourism revenues about the same as last year's, officials are projecting a balanced current account in 1994. On the capital account, as long as Turkey is able to roll over existing lines, the government expects zero net borrowings this year. "We don't think it's in the interests of the foreign lenders to go to a rescheduling instead of keeping their trade lines open," says Mr Necati Ozfirat, head of the state planning organisation (SPO).

With $4.7bn worth of medium- and long-term principal maturing in 1994, Turkey is looking to some $3.7bn of new drawings this year. Direct foreign investment is projected at $600m. Portfolio investment, which includes both privatisation receipts and planned sale of convertible stock in PTT the state-owned telecommunications company, is targeted at $2.1bn. The SPO is forecasting a $2.5bn net short-term capital outflow, as Turkish banks and corporations rednce their foreign exchange exposure following the lira's 50 per cent fall against the dollar. The change in official reserves, now at just $3.4bn, or less than two months' import cover, is projected at $2bn.

Mrs Tansu Çiller, prime minister, announced the $1.2bn Gulf defence fund – Arab and US funds lodged in the Bank of New York to finance Turkey's F-16 fighter aircraft programme – is to be transferred to the Turkish central bank, boosting reserves. Turkey is also looking at credits from the Council of Europe's social fund, and is calling for the release of the European Union's fourth financial protocol, an aid package for Turkey which Greece is blocking in an attempt to wring concessions on the Cyprus dispute.

Ferruzzi's finery goes under the hammer

Auction marks end of an era of corporate extravagance in Italy, writes **Andrew Hill**

After the trials, the auctions. Today, in Milan, Sotheby's will begin a three-day sale of paintings, furniture, tapestries and ornaments which adorned the boardrooms, company flats and country residences of Ferruzzi-Montedison, before its industrial empire collapsed last year amid allegations of bribery and fraud.

The items belong to the company, now going through painful restructuring, and the sale should raise between L3bn (£1.2m) and L5bn (£2.1m), making a tiny dent in the L31,000bn of debt built up at Ferruzzi-Montedison under the chairmanship of the flamboyant Mr Raul Gardini, who committed suicide last year while under investigation.

The sale marks the formal end to an era of extravagant Italian corporate spending in the late 1980s and early 1990s. In addition – in spite of Sotheby's and Ferruzzi's attempts to play down the link – the whiff of scandal is bound to attract a few buyers on the look-out for collectable souvenirs of Italy's Tangentopoli bribery and corruption investigations.

It is still only six weeks since Mr Sergio Cusani, a financial intermediary to Ferruzzi-Montedison, was jailed for corruption and false accounting, and less than a month before the trial of top politicians from the discredited old regime, many of them suspected of receiving bribes from the group.

In terms of quality, the auction probably has more in common with last year's nine-day auction of items from the Thurn und Taxis estate, which raised DM31.5bn (£12.6bn) for Princess Gloria von Thurn und Taxis to pay inheritance taxes, than with recent British auctions of trinkets belonging to Mr Robert Maxwell, the discredited media magnate, and Mr Asil Nadir, the fugitive businessman.

Mr Giuseppe Ceccatelli, managing director of Sotheby's Milan office, says he is hoping for international interest in the top item in the sale, a Roman landscape by the 18th century Flemish-born artist, Jan Frans van Bloemen – guide price: L250m-L350m.

On the other hand, he does not try to play down the novelty value of a 19th century games table – a cross between snooker and pin-ball – which Mr Gardini would have used when entertaining at the company's Tuscan hunting lodge. For those unable to stump up its estimated price of up to L40m, there are more modest lots made up of glass from the Ferruzzi-controlled Venini factory, which could sell for as little as L350,000.

Patient collectors may yat wait for what could be even more spectacular sales as the Tangentopoli investigations run their course. Last year, for example, police seized 60 paintings, including several modern masterpieces, from the apartment of Mr Duilio Poggiolini, a senior health ministry official alleged to have taken bribes. At the time, the value of the paintings alone was estimated at L5bn. For an Italian art market now in the doldrums, the irony is that it was probably the purchase of such works which helped fuel the buoyancy of the late 1980s.

EUROPEAN NEWS DIGEST

Papers prosper in electronic era

Newspapers continue to thrive across Europe despite increased competition from the electronic media, according to Pira International, the printing industry research organisation*. Its report shows that, overall, newspapers maintained the largest share of advertising revenue in western Europe and generated total revenues in 1992 (the last year when figures are available) of $38bn (£25bn). During 1992 more than 92m newspapers were bought every day in the European Union and European Free Trade Association. In Austria, daily newspaper sales rose by 14.6 per cent between 1988 and 1992, reflecting the launch of a new national newspaper. During the same period, however, sales of Greek dailies fell by 34.7 per cent, mainly, it is believed, because publishers tried to raise cover prices too high.

The two biggest markets by far in western Europe are Germany where 26m copies are sold every day, followed by the UK with 20.7m. France is third with 8.8m. Most investments in eastern Europe by western publishers have been in Poland, the Czech Republic and Hungary but the first moves into Bulgaria and Romania are expected this year. The largest newspaper publisher in Europe measured by newspaper sales is Germany's Axel Springer, followed by Mr Rupert Murdoch's News International and the private German group Holtzbrinck. * European Newspaper industry, Pira International, Randalls Road, Leatherhead, Surrey, UK 0372/376161. £450. *Raymond Snoddy, London*

Schneider cash transfers probed

Officials from Germany's federal criminal police office and the Frankfurt state prosecutors' office will today start conducting inquiries in Geneva into money transfers made by Mr Jürgen Schneider, the businessman whose disappearance in March triggered Germany's biggest property collapse since the second world war. The prosecutors' office said yesterday it suspected Mr Schneider of transferring DM245m (£98m) of Schneider group cash out of Germany during March at a time when the group's liquidity problems were mounting. The money is believed to have been transferred via London to Nassau in the Bahamas before ending up in Geneva. As a result, said the prosecutor's office, the fugitive businessman was under suspicion of conducting "fraudulent bankruptcy on a massive scale". He already faces charges of tax evasion and fraud. The Schneider group collapsed in April owing more than DM5bn. Despite several reported sightings, his whereabouts are still unknown. *David Waller, Frankfurt*

Bosnia talks get under way

Talks on a comprehensive ceasefire in Bosnia got under way yesterday, four days late and in an atmosphere of belligerence and suspicion. The mainly Moslem Bosnian government ended its boycott of the United Nations-sponsored talks yesterday, following the withdrawal of armed Serbs from a 3km exclusion zone around Gorazde in eastern Bosnia. However, Mr Yasushi Akashi, who heads UN operations in Bosnia, failed in his effort to bring the two sides to tha same negotiating table, damping hopes that a nationwide ceasefire was a real possibility. Mr Akashi put to each side separately a draft UN plan which reportedly includes an initial four-month ceasefire, withdrawal of heavy weapons from front lines and the separation of forces by interposition of UN troops. The plan would require at least 5,000 extra UN peacekeeping troops in Bosnia. The Bosnian government favours a short truce, fearing that a four-month ceasefire would effectively freeze existing battle lines and leave the Bosnian Serbs in possession of territory seized by force. The Bosnian Serb side wants a permanent ceasefire, or one lasting at least six months. *Frances Williams, Geneva*

SPD vows to stop squabbling

Germany's opposition Social Democratic party (SPD) yesterday admitted that the wind had gone out of its campaign to win the October elections but vowed it would close ranks for the last leg. Mr Rudolf Scharping, its leader, said that tha party had been unable to achieve a "significant lead" in recent months, a setback which he blamed on internal squabbles. "Everyone has finally sworn to end this process," he said after a meeting between the party leadership and SPD members from all 16 Länder governments. A series of recent opinion polls have shown Chancellor Helmut Kohl's Christian Democratic Union pulling level with or overtaking the SPD, bolstered by signs of an economic recovery and stronger support in eastern Germany.

Going back on earlier comments, the SPD also said that "for technical reasons" it would keep the so-called "solidarity surcharge" – a 7.5 per cent tax to finance investment in eastern Germany – until 1996. The party had earlier said the surcharge would be scrapped and replaced with a 10 per cent charge on single people earning over DM60,000 annually. This will now be introduced in 1996. *Michael Lindemann, Bonn*

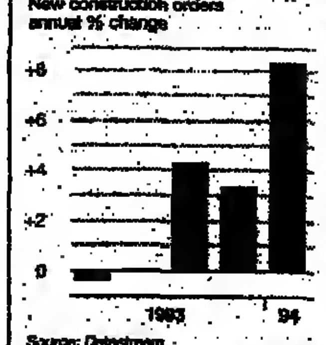
Austrian tensions grow on EU

The campaign leading up to next Sunday's referendum in Austria on European Union membership has reached fever pitch, as the latest opinion polls indicate the vote could go other either way. A poll taken in recent days indicated that 31 per cent of voters favoured joining, with a similar number opposed and 38 per cent undecided. The socialist-conservative coalition government has been betraying increasing signs of anxiety. The ATX index of 19 leading shares on the Vienna bourse has lost 5 per cent of its value in the past week, with investors jittery about the referendum outcome.

In Norway, also a candidate for entry, resistance has reached new heights, just five months ahead of a national referendum, according to a poll published yesterday. Opposition to joining rose by one percentage point to 56 per cent, at the expense of support for membership which fell to 32 per cent from 33 per cent in May, the lowest level this year. *Ian Rodger, Zurich and Karen Fossli, Oslo*

ECONOMIC WATCH

W German building orders rise



Construction orders in western Germany rose by 8.4 per cent in the first quarter compared with the same quarter a year earlier, the Federal Statistics Office said. Demand for new housing was up 33 per cent, while orders for commercial buildings rose 2.9 per cent, and government orders declined 3.2 per cent. In terms of market share, housing grew to 26.9 per cent of the market from 25.5 percent. In eastern Germany, construction orders rose 35.5 per cent in the first quarter. Demand for housing doubled. Commercial orders rose 20.8 per cent, and public orders were up 19.5 per cent. As a share of the overall eastern German market, housing grew to 27.8 per cent from 18.8 per cent. *Reuter, Wiesbaden*

■ Car sales in Italy rose 7.53 per cent year-on-year to May, with 178,869 units delivered during the month, the car industry association, Anfia, said.

■ Spain's official currency reserves fell $394.3m (£262m) in May from April, according to provisional figures from the Bank of Spain. Official reserves stood at $44.341bn on May 31.

■ Retail pharmacy prescription drug sales in Europe's top seven markets for January-March were flat compared with a year ago at $10.85bn (£7.2bn), according to pharmaceuticals market research company IMS International.

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New top echelon named at IMF

By George Graham in Washington

The International Monetary Fund has expanded its top level of management, naming three new deputy managing directors to take the place of Mr Richard Erb, the outgoing deputy managing director.

Mr Michel Camdessus, IMF managing director, yesterday appointed Mr Stanley Fischer, an economist at the Massachusetts Institute of Technology in the US, along with Mr Alassane Ouattara, former prime minister of Ivory Coast, and Mr Prabhakar Narvekar, an IMF official.

Since the IMF's top position is usually held by a European, the deputy's post has been, by tradition, in the gift of the US. In recent weeks, US Treasury officials have been at pains to ensure that they retained this pre-eminence.

Mr Fischer was accordingly named first deputy managing director, with broad responsibilities across all the issues facing the IMF.

All three deputies have worked for many years in international financial institutions. Mr Fischer used to be chief economist at the World Bank, just across the road from the IMF in Washington, while Mr Narvekar has spent more than 40 years at the IMF.

Mr Ouattara, meanwhile, has twice before worked for the IMF. He left in 1988 to become governor of the central bank of the African franc zone and, later, to take charge of the Ivory Coast's economy.

The decision to enlarge the IMF's upper hierarchy has been greeted by some suspicion within the organisation.

Some IMF officials fear that it will simply add another layer above that of the regional directors, who now report directly to Mr Camdessus.

He said yesterday that the reorganisation was the first since a deputy managing director was appointed in 1949, and was necessary to deal with the rapid expansion in the IMF's membership.

California dominates primary day in US

By Jurek Martin, US Editor, in Washington

California dominates the heaviest mid-term primary round today in the US, where eight states choose candidates to contest four governorships, five senate seats and 87 House of Representatives places.

Mr Pete Wilson, the Republican governor, and Ms Kathleen Brown, the Democratic state treasurer, are strongly favoured in California to emerge as opponents in the country's most important race in November. The outcome will have a heavy bearing on the 1996 presidential election – a Republican victory would be a clear setback for President Bill Clinton and the Democrats.

Mr Wilson must first beat Mr Ron Unz, a computer magnate from the far right whose campaign has been mostly self-financed. The governor holds a lead of upwards of 20 points.

Ms Brown's father, Edmund G. Brown Sr, known as Pat, and her brother Jerry each served two terms as governor of California. She must overcome challenges from Mr John Garamendi, the state insurance commissioner, and Mr Tom Hayden, now a state senator, once an anti-Vietnam War activist and once husband of Jane Fonda, the actress.

Six months ago, with California still in recession and Mr Wilson unpopular, Ms Brown seemed certain to continue the family political dynasty. But, with her campaign lacking definition and the economy improving, the governor, prominent in rebuilding efforts after the Los Angeles earthquake in January, has recovered.

Mr Wilson has also benefited politically by riding with the Californian backlash against illegal immigration. A Los Angeles Times poll last week found 59:32 per cent support for a proposition that may be on the November ballot and would bar illegal immigrants from many public services, including education. Ms Brown opposes such a move.

Also closely watched is the race for the Senate seat held by Ms Dianne Feinstein, a Democrat. Her likely Republican challenger is Congressman Michael Huffington, if he beats former Congressman Bill Dannemeyer, another ultra-conservative.

Mr Huffington's main claims to fame are less his political record than his vast oil wealth – he spent a national record of \$10m (£6.6m) to win his House seat two years ago – and ambitious wife. She is the former Ms Arianna Stassinopoulos, an author who cut a wide social swathe through Britain in the 1970s and now seems intent on propelling her husband to the top of the US political tree.

Again, Ms Feinstein had looked unbeatable, but her approval ratings have dropped below 50 per cent and she now holds poll leads of only 5-14 points. As in the Wilson-Brown race, Ms Feinstein and Mr Huffington have already begun directly attacking each other.

In other races across the country, there is less opportunity for the fundamentalist right to make a clear mark, as happened last weekend with the nomination of Mr Oliver North as Republican senatorial candidate in Virginia. Senator Bob Dole, Republican minority leader in the Senate, was concerned enough about the broader message of that selection to say he might not welcome Mr North to the chamber.

Most closely watched will be the Democratic senate primary in Montana, where Senator Conrad Burns is one of the few vulnerable Republicans for November. Mr Jack Mudd is favoured to beat former Senator John Melcher, but the Democratic race has been complicated by the presence of a third candidate. Ms Becky Shaw, girl-friend of a former close aide to Mr Melcher. She may draw votes from Mr Mudd.

In Iowa, Governor Terry Branstad, in pursuit of a fourth term, is in a tight Republican primary against Congressman Fred Grandy.

Western hopefuls: Dianne Feinstein, John Garamendi and Pete Wilson are running in California

Driving those yellow dog blues out of the Old South

George Graham finds the US Republican party trying to advance on what used to be unpromising ground in the state of Mississippi

You have to be at least 74 years old, and white, to have taken part in a congressional election in Mississippi's first district when Congressman Jamie Whitten was not running.

The veteran Democrat has represented the district, which stretches across the north of the US state, since 1941, rarely facing any challenge and, even when there was opposition, only once gaining less than 60 per cent of the vote.

Mr Whitten's retirement from the House of Representatives, at the age of 84, has brought six Republican and three Democratic candidates to fight today primary elections for the right to contest, in November, a seat where the Republican party has high hopes of extending its resurgence in what used to be the solidly Democratic South.

Identification of the Republicans with President Abraham Lincoln and the Reconstruction period after the Civil War of the 1860s is no longer a drawback, and the South's social conservatism aligns closely with the Republican party platform.

"It has historically been a yellow dog Democrat area – they'd rather vote for a yellow dog than for a Republican. With Whitten out of the race, I think we've got a better shot," says Mr Billy Powell, the Republican party's Mississippi state chairman. "Given how the district is changing, it clearly fits the profile of a Republican congressional district," says Professor Leslie Burl McLemore, a political scientist at Jackson State University in the state capital.

Mr Whitten's birthplace is in the hamlet of Cascilla – two groceries and a petrol pump besieged by kudzu vine on the edge of the Delta, the flatlands between the Mississippi and Yazoo rivers. His district once included a part of the Delta, but reapportionment moved this mainly black area into another constituency.

Today, the district's centre is Tupelo, a burgeoning business centre known for its furniture making and as the birthplace of Elvis Presley. It encompasses the university town of Oxford and rapidly growing De Soto County, a dormitory suburb for Memphis, just across the border in Tennessee.

Mr Whitten, too, has changed over the years. Once a rabid segregationist, he became, after blacks had started, from the late 1960s, to be allowed to vote in Mississippi, one of the most liberal members of the state's congressional delegation – with the exception of Mr Mike Espy, now President Clinton's agriculture secretary, and Mr Bennie Thompson, who have in turn represented the majority black Delta district.

'It has historically been a yellow dog Democrat area - they'd rather vote for a yellow dog than for a Republican. With Whitten out of the race, I think we've got a better shot.'

The congressional seniority system gave Mr Whitten great power in Washington. As chairman of the agriculture appropriations sub-committee for more than 40 years, and of the full appropriations committee from 1978-93, he controlled federal government purse strings and made sure that, when they were loosened, his district and his state won their share.

No new member of congress is going to be able to match Mr Whitten's ability to bring home the bacon and it is not certain that voters in the 1990s, more attuned to the federal budget deficit, rank this ability at the top of their list.

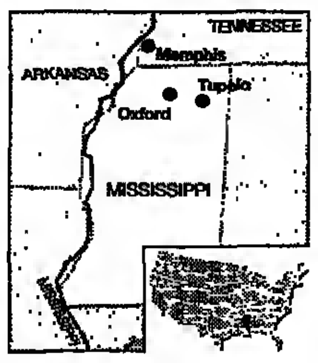
"I think they have done a little too much for us already," said Mr Lee Inman, a barber in Calhoun City.

The Republicans' task is by no means easy, however. They have won the Mississippi governorship and both its senate seats, but made less headway at the local level. They hold none of the state's five congressional districts.

For one thing, in a state where virtually every politician poses as a conservative, it is sometimes hard to distinguish one party from the other. "It's kind of hard to tell the Democrats from the Republicans in this district," says Ms Barbara McDonald, a campaign aide to Mr Tim Ford, speaker of the Mississippi legislature and one of the candidates for the Democratic nomination.

"Quite frankly, we only have two Democrats in the Mississippi delegation, Bennie Thompson and Jamie Whitten, and we are about to lose Jamie Whitten. The rest of them are in fact Republicans," says Prof McLemore.

Local penetration for the Republicans is hampered by the Democratic stranglehold on county-level government. "The real power has been at the county supervisor level, the courthouse crowd. I don't know if there is a single Republican county supervisor in the first district," says Mr Powell. He believes many local politicians are almost ready to switch parties. In the last year, seven county supervisors and five state legislators have left the Democrats.



But although it is possible to run in Mississippi as a Republican and win, it is still a risky choice for local politicians. This has much less to do with "yellow dog Democrat" resentment of the Republicans, dating back to the Civil War, than it does with the fact that anyone running as a Republican can say goodbye to virtually all black voters – and they make up a third of the state's population.

The Republican party's success in state-wide elections has been won, to a great extent, by advertising. But here, too, the district poses problems: much of the most fertile ground for the Republicans is in the Memphis suburbs of De Soto County, whose inhabitants are often recent arrivals in Mississippi and who, in any case, read Tennessee newspapers and watch Tennessee television – whose advertising rates are much higher than for broadcasters in the Tupelo area.

Money from the national Republican party could overcome this problem, as it did in the recent by-election in Kentucky, which the Republicans won. At the November election, however, every promising congressional district will have to compete for national funding with all the other Republican prospects.

That money might well be forthcoming, even so. The Republican party trails by 42 seats to 59 in the 11 south-eastern states of the US, and this region offers some of the party's best chances of eating into the 256:178 Democratic majority in the House of Representatives.

Reich on a 'third way' to jobs

David Goodhart records the US labour secretary's 'flexible' views

Creating not only more jobs but better jobs, in an increasingly insecure economic environment, was one of the promises that propelled a Democrat into the White House 18 months ago.

This week, Mr Robert Reich, the loquacious US labour secretary, is touring Europe with a progress report on that promise and advocating a "third way" between the low unemployment/low social protection US model and the high unemployment/high social protection European model.

Mr Reich, with a flair for coining phrases reminiscent of his fellow economist, Professor J K Galbraith, paints a bleak vision of the future unless the gap between the labour market's privilaged and its deprived is closed.

He describes how US society is already divided into an élite "over-class" of 15 per cent of the population, increasingly segregated from the rest of society, and a deprived "under-class" of a similar proportion. This division has been a blessing for the US private security industry, which has more employees than the public police forces.

Squeezed between the over- and under-class is the "anxious" class, what used to be called the middle-class, whose incomes have been static for 20 years and who are increasingly prey to demagogues demanding an end to free trade. "The coming political battle will be for the souls of the anxious class," says Mr Reich.

So how is the Democratic administration doing in this battle? Some 3m mainly private-sector jobs have been created in the past 16 months, an improvement on the previous four years but one that is substantially cyclical in nature.

The "structural" reforms – aimed at raising the quality of the workforce and creating more *good* jobs – take longer. There are three basic ideas: to improve the school-to-work transition with better vocational training, to provide more tax credits for low earners, and to turn the social safety net into a lifelong learning "springboard" to re-employment.

"Legislation we now have before Congress will begin to turn our unemployment system into a re-employment system that launches workers into new jobs. Security comes from maintaining a flexible set of skills," says Mr Reich.

He insists that it is not just a matter for the state – rather for government, employers and employees.

What relevance does this have for the Europe Mr Reich is visiting – yesterday in London, today in Paris at the Organisation for Economic Co-operation and Development, and on Wednesday at the International Labour Organisation conference in Geneva?

Yesterday, to his hosts in London, the left-of-centre Institute for Public Policy Research, he stressed that increased flexibility is not the same as the labour market de-regulation favoured by British Conservatives.

The secretary also argued against traditional job subsidies, saying that, in 70 per cent of cases, employers are being subsidised for employees they would have hired without a subsidy.

Mr Reich was also circumspect about whether trade sanctions are the right means to enforce basic labour and human rights standards in the developing world. He does believe it is legitimate to press developing countries on some basic standards but he believes this pressure should be exerted through "a menu" of levers, not just through trade.

NKr50bn contract lifts Oslo's market share

France renews gas deal with Norway

By Karen Fossli in Oslo

Norway yesterday announced a 20-year contract to supply natural gas to France.

The deal, valued at an estimated NKr50bn (£4.6bn) based on current gas prices, also includes an undisclosed price revision for gas supplies covered under existing contracts with Gaz de France.

Norway's Gas Negotiating Committee – comprising Statoil, the Norwegian state oil company, Norsk Hydro and Saga Petroleum, two other Norwegian oil companies - agreed to provide Gaz de France with fresh annual quantities of gas from 1996 or 1997 which will build to a level of 4.0bn cu m from 2001.

The deal will boost Norway's market share for gas in France to 30 per cent by the year 2000 from 18 per cent in 1993.

Gaz de France has imported gas from Norway since 1977 from the North Sea Ekofisk, Statfjord, Heimdal and Gullfaks fields. Gas exports under the Troll sales agreement began last year.

Statoil said: "Based on these contracts and the new agreement, annual deliveries to France will reach 13bn cu m soon after the turn of the century."

France last year consumed 33bn cu m of gas but indigenous production is rapidly declining and totalled less than 3.0bn cu m in 1993. France also imports gas from the Netherlands, Russia and Algeria.

Norway recently postponed by two years a decision to invest in new capacity to meet increasing demand for gas. A sellers' group led by Statoil will take responsibility for the new contract with France.

Last year Norway supplied about 25bn cu m of gas to Europe and expects deliveries to rise sharply to 60.8bn by 2005.

It currently holds a market share of 10 per cent in the European Union, but this is predicted to rise to 12 per cent by 2005.

Malaysian Prime Minister Mahathir Mohamad (pictured left) yesterday welcomed a British trade delegation but made no mention of lifting a ban on government contracts to British companies, Mr Richard Needham, British trade minister said, Reuter reports from Kuala Lumpur. Mr Needham (pictured right) and a 20-member trade delegation discussed private sector investment with Dr Mahathir before visiting the Petronas office in Kuala Lumpur.

Beijing must play by rules – Kantor

Mr Mickey Kantor, the US trade representative, yesterday warned China it must play by world trade rules and said the Europeans and Americans were united over Beijing's bid to join the international economic community, Reuter reports from Paris.

"If the Chinese are going to continue to grow, trade and become an international player, they are going to have to play by the rules. The US is adamant about that," Mr Kantor said on his way to Paris for the annual meeting of the Organisation for Economic Co-operation and Development (OECD).

Mr Kantor said China must change its trade practices before it could join the World Trade Organisation (WTO) which takes over next year from the General Agreement on Tariffs and Trade (Gatt). The European Union increasingly shared the US stance, he added.

Some US officials have proposed privately that China should be kept out of the WTO for the entire first term of the Clinton presidency because of its poor human rights record.

"But that's not a policy," Mr Kantor said. "It's just a guess. We're totally open to them meeting these requirements as soon as possible and we have said that publicly and privately."

On the issue of a partial trade deal with Japan, Mr Kantor said it would be "immature" to reject such an option.

Mr Kantor, who had previously insisted on an all-or-nothing trans-Pacific trade package, said he would now accept a scaled-back version when the two nations' leaders' meet in July.

"You want to make progress where you can. This is a long-term situation and you won't resolve all the problems overnight," he said.

The two sides want to strike a broad new deal that cuts Japan's $131bn (£87bn) trade surplus and boosts foreign access to three key sectors: cars, insurance and public procurement.

Chile in favour of ties with Mercosur

By Angus Foster in São Paulo and David Pilling in Santiago

Brazil's proposal to use the planned Mercosur common market as a building block for a South American free trade area has been backed by Chile, which could next month start negotiating to join Mercosur as an "associate" member.

Mr Carlos Figueroa Serrano, Chile's foreign minister, said his country was interested in joining Mercosur, which groups Brazil with Argentina, Paraguay and Uruguay. He intends to discuss the matter with Argentina later this week. Chile will, however, continue to negotiate its entry into Nafta, still seen as the country's priority.

Chile is an especially welcome partner for Brazil, which has been trying to tie other countries into the Mercosur network. Mercosur is due to become a customs union, with a common external tariff for most goods, from January 1 next year. Countries wanting "associate" trading ties with Mercosur will have to remove barriers on trade with Mercosur members, but will not be bound by the common external tariff rules.

Brazil has been discussing the South American free trade area with other countries for several months. But Chile is the first publicly to express definite interest in joining. Brazilian officials hope Chile's interest will prompt other countries to open negotiations.

Chile is seen as the South American country most prepared to join Nafta. By joining Mercosur as well, it would show other countries that it was possible to be a member of both trade areas.

Chile's intention to negotiate some form of association with Mercosur reflects concern in the country, which is highly dependent on exports, of being left on the sidelines of the region's emerging free-trade blocs.

Brazil and Argentina are Chile's third and fourth biggest trading partners respectively.

US, France in plastics venture

By Daniel Green in London

Union Carbide of the US and Elf-Atochem of France, part of Elf Aquitaine, are to create a joint venture for the manufacture of specialist plastics.

The move is the latest in a series of consolidations in the European petrochemicals industry in response to low prices and competition from the Middle East and Asia.

The venture will market polyethylene resins and compounds for the wire and cable, pipe and other industries in Europe. The joint venture will take over and operate the gas phase polyethylene reactor owned by Elf-Atochem at Gonfreville, France, and Union Carbide will license its Unipol process technology to the venture.

Mr Jacques Puéchal, chief executive of Elf-Atochem, said the deal was the first joint venture between the two companies and marked the end of a round of Elf-Atochem's polyethylene restructuring.

China air space rows 'bad for business'

Lynne Curry on disputes with Moscow and Seoul over flight jurisdiction

Two air space disputes are souring China's otherwise good economic relations with South Korea and Russia.

Under pressure from foreign airlines seeking both to take advantage of the economic boom in China and cut costs and flying time across the Pacific Ocean, diplomats are pushing Beijing to resolve these longstanding disagreements.

Of the two, the most knotty involves differences over the air space between Beijing and Seoul. It has meant that there are currently no direct scheduled flights between the Chinese and South Korean capitals.

"In terms of business, both sides are losing fantastic amounts of money," a western airline executive said. "Scheduled charters from South Korea are full. Everybody wants to come here, but the Chinese say do it under their terms or not at all."

The obstacles in the dispute are primarily commercial issues. Neither side can agree

either on the frequency of flights that should operate between Beijing and Seoul or the number of destinations to which carriers could fly. Aviation experts say Chinese airlines fear that if there were enough flights from South Korea to meet the growing demand, few passengers would opt to fly Chinese airlines, which have a poor reputation.

To pressure Chinese authorities to resolve these issues, South Korea recently lifted its official ban on tourism travel to China. Last year, between 100,000 and 120,000 Koreans visited the mainland for business or official purposes. Travel agencies expect tourism traffic to push this figure up to 500,000 a year.

A significant hurdle in what is known as the "124-125 fight" was cleared during the recent visit to China by South Korean President Kim Young-Sam. The Chinese agreed to the South Koreans' demand that the air traffic control boundary remain at 124 degrees east longitude as laid down by the Montreal-based International Civil Aviation Organisation (ICAO) for regularly scheduled flights between Beijing and Seoul. South Korea had argued that a one-degree extension of Beijing's air space would give China control virtually to the South Korean coast.

However, Chinese officials are still standing by their claim that the air traffic control region between Shanghai and Seoul should stay at 125 degrees for chartered flights. While the Koreans are reportedly unhappy with this arrangement, they are willing to accept it for the present.

With the trade boom between China and South Korea, pressure on both sides to find a solution has risen. Bilateral trade between the two countries soared 63 per cent to $23bn (£15.3bn) in the first nine months last year. Korean Airlines is also pushing the government to resolve the impasse.

If direct flights between Beijing and Seoul were allowed, Seoul could become an international hub in north-east Asia.

Airlines seeking to shorten the long haul across the Pacific have also run into trouble over a Sino-Russian dispute dealing with restrictions on air space along their eastern border. Details of the dispute remain unclear and Chinese officials have been unwilling to discuss the matter.

What is known is that some western airlines are permitted to refuel in the Siberian city of Khaborovsk, but are not allowed to cross the border there and enter directly into China's north-eastern Heilongjiang province.

Instead, they must fly back down across Japan and on to Beijing, adding considerable time to their journey. Chinese airlines are also frustrated by this roundabout route.

There is concern that Russian and Chinese air traffic control systems may be inadequate to handle a higher volume of traffic if the corridor were open to foreign carriers. Currently, both countries can handle an aircraft every half hour but opening to foreign carriers would mean an aircraft entering Sino-Russian air space every two and a half minutes.

Aviation experts say this ought not to be a problem. Modern aircraft do not need ultra-sophisticated air traffic control systems. They can use satellite navigation once they reach cruising altitude.

Some western airline officials are "cautiously optimistic" that China's differences with Russia will be resolved sooner than those with South Korea.

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

UNITED STATES

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	102.4
1986	105.5	100.9	6.9	98.0	107.1
1987	108.4	106.0	6.1	105.5	108.2
1988	112.9	110.7	5.4	106.1	112.2
1989	115.6	112.4	5.2	99.3	110.6
1990	116.4	112.4	5.4	84.6	103.4
1991	114.0	110.3	6.6	62.2	111.7
1992	117.6	112.9	7.3	60.3	116.9
1993	123.8	117.6	6.7	65.3	122.4
2nd qtr.1993	5.4	3.6	6.9	63.4	117.1
3rd qtr.1993	5.9	4.2	6.7	66.0	119.2
4th qtr.1993	5.8	4.3	6.4	69.4	122.4
1st qtr.1994		5.0	6.5	71.3	124.5
May 1993	5.4	3.0	6.9	65.1	117.2
June	5.9	4.0	6.9	63.1	117.1
July	6.3	3.8	6.7	65.6	117.9
August	6.0	4.3	6.7	66.7	118.2
September	5.5	4.4	6.6	65.5	119.2
October	5.5	4.1	6.6	68.5	120.2
November	5.9	4.2	6.4	68.9	121.8
December	6.0	4.6	6.3	70.7	122.4
January 1994	4.4	4.6	6.6	68.7	123.3
February	6.9	4.7	6.4	72.9	123.8
March		5.2	6.5	74.3	124.5
April		6.0		73.5	

JAPAN

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	2.6	100.0	97.2
1986	106.5	99.7	2.8	94.3	106.1
1987	113.8	103.1	2.8	108.3	115.3
1988	122.8	113.1	2.5	135.9	122.3
1989	132.5	116.7	2.2	147.0	125.3
1990	141.6	124.5	2.1	149.6	122.7
1991	144.6	126.8	2.1	144.2	120.4
1992	139.9	116.0	2.1	124.2	120.0
1993	132.0	113.6	2.5	106.9	126.8
2nd qtr.1993	−6.0	−4.0	2.4	106.7	124.8
3rd qtr.1993	−5.1	−4.6	2.5	101.9	126.1
4th qtr.1993	−5.7	−4.2	2.7	103.7	126.8
1st qtr.1994		−3.1			129.6
May 1993	−4.8	−3.1	2.5	105.8	124.9
June	−8.0	−5.0	2.5	105.3	124.8
July	−5.8	−5.2	2.5	102.8	125.1
August	−4.1	−2.5	2.5	102.8	125.4
September	−5.5	−6.1	2.9	100.6	126.1
October	−5.2	−6.0	2.7	99.0	126.4
November	−7.3	−3.2	2.7	112.3	126.1
December	−4.6	−3.5	2.9	99.9	126.8
January 1994	−1.9	−2.7	2.7	97.4	128.2
February		−4.4	2.9	98.1	129.4
March		−2.2			129.9
April		−1.5			

GERMANY

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	106.0	105.2
1986	103.4	102.2	6.4	136.4	105.1
1987	107.4	102.6	6.2	149.4	106.1
1988	110.5	106.3	6.2	164.8	112.3
1989	114.1	111.4	5.6	216.7	115.2
1990	123.5	117.2	4.8	261.1	115.8
1991	130.5	120.6	4.2	270.7	113.0
1992	127.7	119.1	4.6	260.2	106.5
1993	122.4	110.8	5.8	197.6	113.5
2nd qtr.1993	−3.6	−6.3	5.8	207.8	108.8
3rd qtr.1993	−2.1	−0.4	5.6	194.5	111.7
4th qtr.1993	−5.8	−3.1	6.3	176.3	113.5
1st qtr.1994	0.0	0.0	6.5	192.8	115.6
May 1993	−5.8	−8.3	5.6	206.8	107.7
June	−3.5	−7.5	5.7	204.3	108.8
July	−3.7	−8.0	5.8	201.9	109.8
August	−0.7	−5.6	5.9	195.3	111.1
September	−1.6	−6.7	6.1	185.4	111.7
October	−3.6	−4.3	6.2	175.5	112.4
November	−6.1	−4.0	6.9	175.5	112.9
December	−8.4	−1.0	6.3	178.8	113.5
January 1994	0.4	−1.7	6.4	197.0	114.3
February	0.1	1.0	6.5	194.5	115.2
March	−0.5	0.7	6.5	196.1	115.6
April		4.1		193.6	

FRANCE

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	10.3	100.0	102.0
1986	102.4	101.1	10.4	107.2	109.2
1987	104.5	103.1	10.5	117.7	108.6
1988	107.6	107.3	10.0	134.9	113.8
1989	109.5	111.3	0.4	161.1	113.5
1990	110.3	112.9	8.9	163.0	108.3
1991	110.3	113.2	9.4	127.7	109.9
1992	110.5	113.2	10.4	111.4	107.9
1993	110.7	109.9	11.7	89.8	110.9
2nd qtr.1993	0.7	−3.8	11.6	91.9	107.6
3rd qtr.1993	0.4	−2.9	11.9	85.0	108.4
4th qtr.1993	−0.5	−1.5	12.2	85.4	110.9
1st qtr.1994	1.1		12.2		113.1
May 1993	−3.8	−3.3	11.5	89.1	108.0
June	5.0	−3.4	11.6	61.0	107.6
July	1.2	−2.6	11.7	93.9	107.1
August	−1.2	−3.0	11.9	80.4	107.5
September	1.2	−3.0	12.0	80.8	108.4
October	−2.7	−4.4	12.1	83.7	109.1
November	2.0	−0.1	12.2	85.2	110.2
December	−0.6	0.0	12.2	87.3	110.9
January 1994	0.7	−0.1	12.2		111.3
February	1.9	−1.3	12.2		112.0
March	1.2		12.2		113.1
April					114.9

ITALY

	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator
1985	100.0	100.0	9.6	103.7
1986	105.3	104.1	10.4	110.6
1987	112.1	108.8	10.9	112.5
1988	107.9	114.2	10.8	117.9
1989	118.9	118.7	10.9	115.6
1990	114.4	118.0	10.3	111.6
1991	111.0	115.4	9.8	114.6
1992	116.9	115.4	9.8	111.2
1993	114.2	112.9	10.2	121.0
2nd qtr.1993	−2.7	−4.2	10.7	114.3
3rd qtr.1993	−1.4	−0.9	10.3	118.4
4th qtr.1993	−6.9	−0.5	10.7	121.0
1st qtr.1994				
May 1993	−9.0	−5.3	n.a.	113.6
June	−0.4	−4.0	n.a.	114.3
July	−6.4	−3.3	n.a.	115.4
August	1.2	0.5	n.a.	116.9
September	1.1	0.4	n.a.	118.4
October	−5.6	−1.4	n.a.	119.4
November	−5.4	−1.9	n.a.	120.3
December	−9.9	1.7	n.a.	121.0
January 1994		−2.9	n.a.	121.7
February		−0.7	n.a.	122.5
March			n.a.	
April			n.a.	

UNITED KINGDOM

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	11.2	100.0	102.3
1986	105.3	102.4	11.2	118.1	105.8
1987	110.7	106.5	10.3	141.2	110.4
1988	117.8	111.6	8.6	144.9	108.6
1989	120.1	114.0	7.2	124.7	106.2
1990	121.1	116.7	6.8	96.1	103.9
1991	119.6	109.2	8.8	68.6	107.9
1992	120.5	108.7	10.0	70.1	113.2
1993	124.6	111.5	10.3	77.2	120.5
2nd qtr.1993	2.9	2.6	10.3	74.6	118.6
3rd qtr.1993	3.8	2.7	10.4	77.4	119.4
4th qtr.1993	6.7	3.1	10.0	82.7	120.5
1st qtr.1994	3.6	3.8	6.8	83.9	121.3
1993 May	2.4	4.5	10.3	75.2	116.9
June	3.8	2.6	10.3	74.3	118.8
July	4.4	3.5	10.4	77.1	117.5
August	3.6	2.6	10.4	77.6	116.7
September	3.4	2.0	10.3	77.5	119.4
October	3.2	2.0	10.2	80.7	119.7
November	3.8	6.6	10.0	83.6	116.7
December	4.2	3.5	9.9	83.8	120.5
1994 January	3.9	4.2	9.9	83.9	121.2
February	8.0	3.6	8.6	84.0	121.7
March	3.6	6.7	6.7	83.7	121.3
April	4.3			86.6	

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. Retail sales volume: data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). Industrial production: data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). Unemployment rate: OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. Vacancy rate indicator: relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series. US – help-wanted advertising, Japan – new vacancies, Germany and France – all jobs vacant, Italy – no data available, UK – unfilled vacancies. Composite leading indicator: OECD data. Each is a combination of series, cyclical fluctuations in which usually precede cyclical fluctuations in general economic activity.

Crash adds to China's air safety worries

By Tony Walker in Beijing

China's reputation for air safety was yesterday dealt another severe blow when a Russian-built Tupolev-154 crashed eight minutes after takeoff from the city of Xian, killing all 160 passengers on board.

The crash of the aircraft of China Northwest Airlines, bound for the southern city of Guangzhou, continues a run of accidents, hijackings and near-misses for China's over-stretched aviation sector. Its airline industry has undergone explosive growth in the past few years, which has strained pilot and maintenanca resources. The country now has over 30 regional airlines; passenger growth has been running at 20 per cent annually.

In 1993, 76 people died in five crashes. This followed the deaths of 276 the previous year, including those in the November 1992 crash of a Boeing 737 near Guilin, a southern beauty spot, in which 141 perished.

A foreign airline representative said visitors to China were entitled to "shudder" if they found themselves booked on Russian-built aircraft widely used on domestic routes. Some 10-15 per cent of China's airliners are Russian-supplied, including Ilyushins, Antonovs and TU-154s. A Chinese company announced at the weekend it had leased a further five Tupolevs.

A Chinese newspaper reported yesterday that mechanical and personnel problems had increased in China's aviation sector this year. The China Business Times quoted an official of the Civil Aviation Administration of China (CAAC), the country's aviation regulatory agency, as attributing problems to "lack of safety consciousness and poor management".

In the first five months of this year 17 accidents had occurred, involving aircraft missing the tarmac on landing, mid-air engine failura and wing tips touching the ground on landing, tha official said. Among factors behind China's disastrous safety record was the "poor quality" of pilots and ground crew, and ill-discipline among staff.

In February the International Airline Passengers' Association described China as an aviation danger spot. The authorities have launched air safety drives with, it seems, little effect. Safety procedures at airports are lax by international standards; so too is cabin discipline.

China air row, Page 4

Local politics drains Nigeria's oil

Paul Adams on violence, sabotage and leaks in the country's oil-rich south-east

Oil spurts out of a broken pipeline and seeps into the tropical hush of the Niger delta. There is not an oil worker within 10 miles to stop it.

It is the latest spillage at Ebubu, 30 miles east of Port Harcourt, one of 62 oil fields operated by Shell in south-eastern Nigeria.

According to the local Ogoni people, there have been several other oil spills on their land since November from the exposed pipes which snake along roads and past houses in the Ogoni's area of Rivers state.

In January, they say, a gas leak at Kpor led to a fire in which a villager was badly burnt. At another site at Ebubu, about 2½ acres of land has been caked in oil since a blow-out in the 1970s and in the rainy season it pollutes one of the streams which are the main source of fresh water in the area.

A joint venture in the area between the Nigerian government, which owns 55 per cent, Shell (30 per cent), Elf (10 per cent) and Agip (5 per cent) produces half of Nigeria's 2m barrels a day of oil.

All Shell's oil fields in Ogoni, which used to produce 28,000 barrels a day, have been closed and some of the flow stations have been vandalised since mid-1993 when Shell withdrew its staff and contractors from the area in the face of rising hostility from local communities.

Shell claims that 60 per cent of the spills in Ogoni in 1992 were "the direct result of sabotage made to claim compensation".

Militant leaders in the Movement for the Survival of the Ogoni People (Mosop) say that since Shell started Nigeria's oil industry on their land more than 30 years ago, the company has damaged the environment and neglected the communities. They also blame Shell for interventions by the security forces which have led to civilian deaths over the past 12 months.

The oil companies in Nigeria estimate that they lost production and equipment worth $200m last year as a result of community disputes.

Last year Shell alone recorded 168 incidents affecting production, lost 1,400 project days and deferred production of 14m barrels of oil. The joint venture is spending more than $20m this year on helping the oil area communities with agricultural extension, scholarships and basic infrastructure such aa schools, hospitals, drinking water and roads.

As the military government tries to launch its constitutional conference, the minority tribes in the oil-rich delta are trying to wrest control of the oil wealth from the central government, traditionally dominated by northern Nigerians, and from the commercial centre of Lagos.

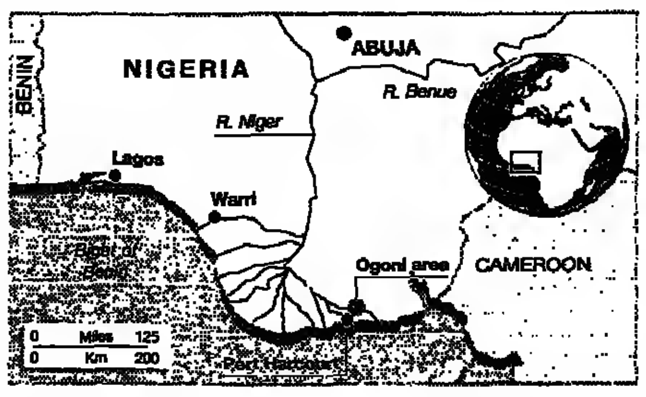
The Ogoni are one of many groups in a rising wave of protest and disorder across the Niger delta which threatens the security of the staff and equipment of the multinational oil companies which produce 95 per cent of Nigeria's exports.

This oil wealth is in striking contrast to the condition of many of the communities who lack basic amenities. There are almost no environmental laws to control the pollution from the oil industry.

In 1992 the government set up the Oil and Minerals Producing Areas Development Commission (Ompadec), with 3 per cent of the revenue and a free hand to provide infrastructure, jobs, education and better environmental standards in the area.

Its chairman, Mr Albert Horsfall, says his agency is making a good start but its budget of $90m a year is inadequate. He estimates that it will take $4.5bn over five years to meet its target, but such investment looks unrealistic.

The government is cutting back its investment in the oil industry, which will depress future production and revenues. At the same tima the international donors have suspended aid to Nigeria. Shell plans to stay away from the Ogoni area until the dispute has been settled peacefully, a distant prospect.



Since Mr Ken Saro-Wiwa became its leader, Mosop is demanding that Shell by-pass central government, which collects the nation's oil revenue, and pay royalties and rent direct to the half million Ogonis, beginning with $6bn in back pay.

Mr Saro-Wiwa insists on environmental and social impact studies, sponsored by Shell, on the effects of the past 30 years and says the oil companies must raise their standards to those elsewhere in the world.

Mosop demands the Ogonis' right to "self-determination in which they will freely determine their political destiny, use their resources for their own development ... while contributing to the Nigerian kaleidoscope."

This touches a raw nerve with Nigeria's military rulers, as Nigeria is made up of more than 200 ethnic groups.

Mosop claims that the destruction of the village of Kaa on Ogoni's southern border last August, which left hundreds homeless or dead or homeless, was the work of security forces. An Ogoni council chairman has protested to the Rivers state governor over the "destruction of lives and property of Ogoni people by Nigerian soldiers" in five villages near Afam.

Last month Mr Saro-Wiwa was arrested in connection with the murder of four rival Ogoni politicians. The Rivers state commissioner of police has asked for 400 troops to tighten security in the area. US diplomats approaching the area have been turned back. A visiting foreign journalist has been deported.

Half Shell Nigeria's 5,000 workforce are employed as security staff at a cost of $18m a year. Rather than spending more and more on security, the oil companies and the government should try to cure the root causes of the community attacks, argues the company's chairman, Mr Brian Anderson.

In January, Nigeria's ministers of oil, internal affairs and trade toured all the oil producing areas of Nigeria and promised a report of their findings.

Hata defiant over high prices

By William Dawkins in Tokyo

Differences have emerged between Japan's prime minister and the government's economic bureaucrats over plans to curb the country's high consumer prices.

Mr Tsutomu Hata yesterday welcomed an interim report from an official task force on deregulation, urging the government to halve over the next five years the disparity – up to 50 per cent – between Japan's high cost of living and that of its main partners.

The gap could be reduced by around 20 per cent over thet period, he said.

Mr Hata's low-price campaign has aroused fears of deflation – a chain reaction of falling prices, wages and consumption – at the government's Economic Planning Agency.

The deregulation panel, staffed by private sector advisers, estimates that Japanese consumer prices are between 36 per cent and 50 per cent higher than the US and European average. That is conservative by comparison with an Organisation of Economic Co-operation and Development estimate that Japanese retail prices are 80 per cent above the OECD average.

Prices could be brought down by cutting costly regulations, banning cartels and lifting barriers to cheaper imports, the panel proposes.

This is the second time in two weeks that Mr Hata has publicly espoused consumer price cuts, after his related decision to freeze for six months an estimated Y460bn ($4.4bn) worth of public sector price rises.

Both moves are politically popular for obvious reasons. They correspond with an explosion in discount retailing and a trend among producers of cars and consumer electronics to design cheaper products for the Japanese market.

The yen's strength has also fuelled demand for cheap imports.

The panel aims to produce a final report by the end of this month, for inclusion in a government package to open the Japanese market and stimulate the economy, to be presented to the US in the margins of the group of seven summit in early July.

EPA officials, however, fear that more deflation on top of an existing decline in wholesale prices might kill prospects of economic recovery.

Any attempt to force the pace on retail prices is also likely to anger Japan's many shopkeepers and its multi-layered distribution system. These are both important features in high prices and are strongholds of the two main opposition groups, the Liberal Democratic party and Social Democratic party.

According to the Ministry of International Trade and Industry, 6.9m people work in retailing and 4.8m in wholesale distribution. This is far higher in relation to retail sales than in the US, points out Mr Paul Heaton, retail analyst at Baring Securities in Tokyo.

Taiwan premier in surprise visit to Mexico City

By Laura Tyson in Taipei

Mr Lien Chan, Taiwan's prime minister, has arrived in Mexico City in a surprise diversion from a tour of Central America and the US, the first visit by a senior Taiwanese official to Mexico in 23 years.

The two countries do not maintain official diplomatic relations, having severed ties in the early 1970s following the United Nations' recognition of Beijing.

To avoid protests from China, which could have scuttled the visit, Mr Lien's change in plan was announced in Guatemala just minutes before he stepped on an aircraft, ostensibly bound for New York.

The trip was another instance of the Taiwanese government's policy of "pragmatic diplomacy".

Using a similar formula, President Lee Teng-hui took a "vacation" tour to south-east Asian countries in April, during which he played golf with top officials, sparking vociferous complaints from China.

The premier's visit to Mexico was billed as a bid to boost trade and investment ties, with a view toward exploiting Mexico's low labour and land costs and preferential access to US and Canadian markets through the North American Free Trade Agreement.

Local media reported that Mr Lien was to meet President Carlos Salinas de Gortari.

The visit coincides with a growing wariness in Taiwan about investing in China and rising anti-Chinese sentiment in Indonesia and elsewhere in south-east Asia where Taiwanese businesses have made heavy investments in recent years.

Analysts in Taipei said that Taiwan may seek support from Mexico for its application to join tha General Agreement on Tariffs and Trade.

Taiwan is also working to build international support for a bid to rejoin the UN, which it hopes to bring before the general assembly in the autumn.

Taiwan has formal ties with just 29 states.

51% sale of El Al planned

By David Horovitz in Jerusalem

The Israeli government yesterday announced plans to sell off 51 per cent of shares in El Al, the national airline, by the end of the year, with tha remaining 49 per cent to be disposed of at a later date.

The shares will be sold in public offerings on the Tel Aviv stock exchange and markets abroad, presumably including New York, after the company is taken out of a 13-year receivership in October.

Two teams of foreign and local experts are carrying out valuations of the airline, which has had a troubled financial history, but which officials say made net profits of about $10m (£6.6m) last year on revenues in excess of $1bn. Official 1993 results have yet to be published.

The El Al sale is the latest stage of a government privatisation drive, which includes the sale of government holdings in the country's main banks, intended to raise $1bn during this year.

Mr Yisrael Kessar, Israeli transport minister, said yesterday the government intended to issue what he called a "golden share" in El Al to the state, to protect vital interests.

Thus, he said, the government would retain the right to order El Al to maintain flights to and from Israel even at times other airlines were not flying there. During the 1991 Gulf war, when Israel came under Iraqi Scud missile attack, El Al was the only airline to maintain its services to and from Israel.

As a constant target of potential terrorist attack, El Al incurs $55m in annual security costs, 80 per cent of which are covered by the government. It is also limited by a ban on Sabbath flights, imposed under pressure from minor Orthodox Jewish political parties. Furthermore, the company is embroiled in a dispute with the US Department of Transportation, which has ordered it to cut back flights to and from New York because Israel has refused to authorise flights to Tel Aviv by World Airways.

Ethiopians are pictured examining election posters during Sunday's election for 547 members to a constituent assembly, Reuter reports from Addis Ababa. Officials said 90 per cent of registered voters turned out for the assembly elections, an important stage in entrenching democracy after centuries of faudal rule followed by Marxist dictatorship.

"It was a smooth sail all the way. We are happy about the way it was conducted," said Mr Samson Gethahun, legal affairs head of Ethiopia's Electoral Board.

A total of 15m of Ethiopia's 50m people were registered to vote.

Provisional results should be known later this week.

A main issue in the draft constitution to be debated by the elected members is whether it should include a provision on the right of Ethiopia's regions to self-determination.

Some opposition parties, which draw most support from the Amhara ethnic group in the capital, boycotted the polls because they believe the new constitution could fragment one of Africa's most ancient empires.

The Red Sea province of Eritrea seceded last year after opting overwhelmingly for independence in a self-determination referendum after years of civil war.

President Meles Zenawi and his then-guerrilla movement, the Ethiopian Peoples Revolutionary Democratic Force, overthrew the dictatorship of Mengistu Haile Mariam in May 1990.

Jordan and Israel start talks again

By James Whittington in Amman

Jordan and Israel renewed talks in Washington yesterday which are expected to make progress on the peace "agenda" signed by the two countries in September 1993. It is the first time the two sides have officially met since peace talks were suspended after the Hebron massacre in February.

Government officials in Amman spoke confidently of a settlement on border disputes which could be implemented before a overall peace agreement is signed. Jordan has claimed two strips of land along its border with Israel.

Other subjects to be discussed include water rights and economic ties. The thorny issue of Palestinian refugees residing in Jordan has been postponed to a later date to speed progress on the other issues.

While Jordan has given assurances to Syria and Lebanon that it will not sign a separate agreement with Israel before a comprehensive solution is found, it has not ruled out implementing items on its agenda meanwhile.

This latest drive for progress comes at a time when the kingdom feels increasingly marginalised by developments in the Middle East peace process.

Call for new swap and option curbs rejected

By John Gapper, Banking Editor

A senior international bank supervisor yesterday rejected calls for further regulation of financial derivatives such as swaps and options, arguing that banks' derivatives trading is already covered by prudential rules.

Mr Tommaso Padio-Schioppa, chairman of the Basle committee on banking supervision, said creating *ad hoc* regulations for derivatives would only be justified if they represented a new form of financial risk.

He stressed that bank supervisors looked at categories of risk rather than particular products, and risks associated with derivatives were the same as those involved in other banking operations.

His call reinforced the caution about regulation of derivatives expressed last month by Mr Alan Greenspan, Federal Reserve chairman, who said supervisors already had sufficient powers to control derivatives.

Any debate over the possible regulation of bodies such as the unregulated derivatives trading units of investment banks has been sparked by a US General Accounting Office report warning of risks from derivatives.

Mr Padio-Schioppa told the International Monetary Conference, a group of executives from 103 large banks, that the only "quantum leap" created by derivatives was in understanding, managing and containing risks.

But he criticised the inadequacy of accounting techniques, disclosure and reporting of derivatives. This deprived buyers of derivative products of essential information, he stated.

The Basle committee was concerned "a market failure" had occurred in disclosure because no participant wanted to be first to publish information for fear of losing an advantage. The committee was considering allowing banks to adapt internal risk management models to calculate capital charges which they will soon have to apply to market risks, he added.

Banks argue they should be allowed to use such models rathar than the committee's own proposed guidelines. The committee is trying to introduce a framework for market risk similar to its 1988 accord on credit risk.

Mr Robert Merton, professor of business administration, Harvard Business School, urged development of new forms of accounting to capture the risks of derivatives by reporting derivatives exposures.

Mr Robert Leon, general manager of the Financière Agache Group, affiliated to the drinks group LVMH, said the company "very much liked" derivatives and wanted them to last and grow as a risk management tool. Ha called for shareholders of companies to be given more information by managements about off-balance sheet commitments on derivatives and "the philosophy which inspires these".

Car importers take record share of Japanese market

By William Dawkins

Car importers in Japan profited from the yen's strength last month to increase their share of the Japanese market to a record 8.6 per cent.

This completed the seventh consecutive monthly rise in car imports, helped by aggressive price cutting and an increase in the number of dealers prepared to break links with Japanese car makers and handle foreign marques.

Foreign producers were, by volume, the main beneficiaries of a 36.2 per cent rise in car imports in May, from the same month last year, and a 48.4 per cent rise in all kinds of vehicles, to 21,579 units.

Overall vehicle imports reached 6.6 per cent of the Japanese market, another record.

The figures come after US and Japan ended a fresh round of talks in Washington last week without agreement on how further to open the Japanese car market to imports. Officials are planning to reopen the car talks in Tokyo on Friday.

As in the past, Japanese producers' overseas car plants also benefited, with a 50.5 per cent rise, to 4,558 vehicles imported back to their home country.

US car companies, however, were the best performers, up 60.6 per cent, led by Ford, whose sales nearly tripled by comparison with May 1992, thanks to the popularity of its Taurus estate car. German producers lifted their Japanese sales by 25.7 per cent, followed by France with 24 per cent and Britain – led by Nissan – with 16 per cent.

Northern Yemenis announce ceasefire

By Eric Watkins in Aden

Northern Yemenis said yesterday they would begin an indefinite ceasefire at midnight last night in the six-week war with the south.

Mr Mohammed Salem Basendwa, the foreign minister, said in Sanaa: "We have informed the secretary-general of the UN and the secretary-general of the Arab League that a ceasefire will start from midnight tonight (2100 GMT).

"The ceasefire will last until the other side ceases to abide by it. Then I don't think it will be possible for us to stop our people."

The minister said Sanaa made the ceasefire offer before Gulf Arab states made a statement on Sunday in which they said they would push for action against any side which failed to heed a UN ceasefire call made last Wednesday.

"We think the statement (by the Gulf Arab states) will encourage the mutineers (southerners)... We will enforce it (the ceasefire) as far as we are concerned but we don't know what the reaction of the mutineers (will be)," Mr Basendwa said.

Earlier yesterday, north Yemeni artillery had continued to pound Aden in the most determined offensive against the south Yemeni capital since the start of the civil war.

With Aden's refinery still ablaze following an air raid on Sunday, the north's artillery turned its attention to the airport, long the mainstay of south Yemen's defence. Despite the new offensive, the airport remained fully operational.

North Yemeni military forces began their latest attack on Sunday morning, as two warplanes bombed the oil refinery at Little Aden and set fire to two storage tanks. Southern political leaders said a second attack was launched in the evening, setting four more tanks alight.

Mr Mohammed Hussein Hajj, manager of the refinery, said six firefighters had been killed in the blaze and a further 16 injured. He confirmed six storage tanks had been severely damaged and petrol supplies might become critical.

Northern officials, in a broadcast on Sanaa Radio, denied their warplanes had been involved.

Northern artillery, aiming at Aden airport, continued to shell the city yesterday. Southern leaders said northern troops had made no new advances but had brought in long-range artillery and were firing from near the town of Sabir, about 20 miles north of Aden.

Western observers, visiting the front lines yesterday, confirmed that southern defences remained in the positions they have held for the past three days. Despite claims by Sanaa Radio of a successful attack, Aden airport was operational yesterday with southern jets flying sorties at 10-minute intervals throughout the day.

Underlying trend suggests steady and sober recovery under way

Consumer borrowing slips

By Gillian Tett, Economics Staff

UK consnmer borrowing slipped back slightly in April, although the underlying trend in consumer lending suggests that the recovery is proceeding on a steady and sober pace, official figures yesterday showed.

Net lending to consumers through finance houses, bank credit cards and non-mortgage building society loans fell to a seasonally adjusted £413m in April, down from £518m the previous month.

The Central Statistical Office pointed out that the data may have been distorted by the timing of Easter, and stressed that the three monthly figures were a better guide to the trend.

These showed that net lending reached record levels in the three months to April, running at £1.282bn. The level of new credit advanced to consumers in that period was also a record, at £15.105bn.

The figures were welcomed hy the Treasury, which suggested they provided hints that consumer borrowing had not yet been dented by April's tax rises.

"It is too early to say what the full impact of the tax increases will be. But clearly it is encouraging that the trend remains upwards – this is consistent with an upward trend in consumer spending," a spokesman said.

The figures also received a warm reception among City analysts, who said that April's dip must be viewed in context of an exceptionally strong level of consumer credit in March.

Following a survey by the Finance and Leasing Association earlier this week, which also reported a small drop in consumer credit in April, the markets hed been predicting that April's net lending figure would fall even further to £300m.

Mr Simon Briscoe, UK economist with Warburg said: "This is almost the perfect set of numbers for the government and markets. It shows that the recovery is continuing but not overheating – It would be difficult to argue for a base rate rise on these figures."

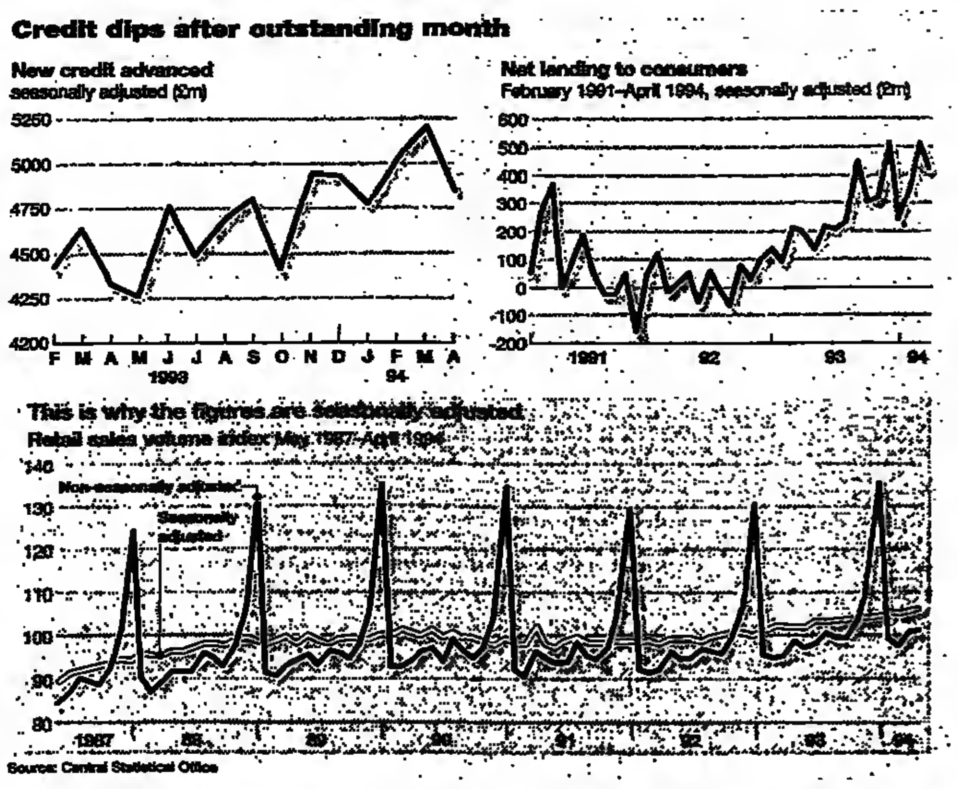
But with the economic indicators still painting a slightly uneven picture of consumer behaviour, analysts warned it was too early to predict the full impact of the April rises.

Although recent retail sales and M0 figures have pointed to atrong consumer activity, recent mortgage figures have suggested a slowdown in mortgage lending.

Meanwhile, consumer confidence surveys have pointed to relatively muted levels of confidence – a factor that may be feeding through to the consumer borrowing figures.

The main factor in the drop in April's net lending figure was a fall in borrowing from finance houses – the form of finance usually used for car purchases and retail store lending for large consumer goods, such as refrigerators.

Car credit, which represents about half of the total finance house lending, fell to £871m in April, its lowest level since last October. But this was partly offset by other data released yesterday, which showed that car sales rebounded sharply in May, after weakening earlier in the year.



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New car sales up 10% on last year

By Kevin Done, Motor Industry Correspondent

New car registrations in May were up 10 per cent year-on-year as demand rebounded from tha impact of tax increases in April.

Car registrations increased to 150,070 from 136,386 in the same month a year ago, according to figures released yesterday by the Society of Motor Manufacturers and Traders.

The rate of growth in car registrations slowed in April with a year-on-year increase of 4.8 per cent, but sales strengthened again, in May in particular in the retail and small business market.

Car registrations of 821,515 in the first five months are 13.3 per cent higher than the 725,116 of tha same period a year ago.

Early in the year growth in fleet car sales – to operators of at least 25 cars – outpaced the market. This was reversed last month. Sales to retail and small business customers in May were np 13.9 per cent year-on-year compared with an increase of 6.2 per cent in fleet car sales.

Mr Ernie Thompson, chief executive of the SMMT, said the motor industry was "poised for a better than expected 1994" following the "encouraging" upturn in May. Carmakers were driving the market forward by "recourse to active promotional programmes".

The UK is one of the main growth markets for new car sales in Europe and manufacturers are intensifying their marketing activities with an array of cash rebates, special editions and other incentives.

Mr Paddy Byrne, sales director of Ford of Britain, leader of the UK new car market, said that car registrations in the whole of 1994 were forecast to rise by 10 per cent to 1.95m from 1.78m last year.

The industry is preparing for the traditional surge in car registrations that takes place in August with the change of registration prefix.

Conservatives divided over future of Europe

By James Blitz and David Owen

Mr John Gummer, UK environment secretary, yesterday re-opened the divisions over Europe inside Mr John Major's cabinet by taking a markedly different approach to tha prime minister on the future of the European Union.

As Labour sought to highlight what it called the Tories' "great divide" over Europe, Mr Gummer hinted at discontent within the cabinet over Mr Major's recent commitment to a "multi-speed" EU.

With the European polls only two days away, the prime minister has elaborated a "new vision" for Europe, in which member states can decide "in their own way and at their own speed" how much power they give to Brussels.

But Mr Gummer – one of the most pro-European ministers – warned yesterday that it would be "quite unacceptable" if the development of more flexible decision-making allowad Britain to take a more cautious line on its place in Europe.

"What is absolutely clear is that Britain is not going to to be at a slower speed than the rest of Europe," he said at the Tories' daily Euro-election news conference. "We are at the heart of Europe and we have no intention of being at a slower speed than the others."

Mr Gummer also appeared to disagree with the prime minister on why flexible decision-making needed to be introduced in the first place.

Mr Major claimed last week thet the "multi-speed, multi-track" idea should be an integral part of the EU's development into the next century.

But yesterday, Mr Gummer cast that theme in more modest terms, claiming that it would merely relate to new applications for EU membership from the developing countries of Eastern Europe.

He said: "A number of countries who want to join cannot just join on the basis of total access. What the prime minister is suggesting is that you have got to look at ways in which we enable people to join at a different level."

Labour tried to exploit Tory divisions over Europe, claiming the prime minister was trying to manage irreconcilable division between pro- and anti-Europeans in his party.

"So deeply split is the Conservative party now on Europe that its leader is obliged himself to face both ways on just about every important issue," said Mr Jack Cunningham, shadow foreign secretary.

Sir Russell Johnston, Liberal Democrat Europe apokesman, said the Conservative campaign had been "wholly negative" and had sought to maximise differences.

He was supported by Lord Thomson of Monifieth, Liberal Democrat peer and former EU commissioner, who said it was a "tragedy" that the Tories had turned their back on playing a leading role in the EU "for reasons of purely domestic politics." He argued that tha Tories had forfeited the chance of Sir Leon Brittan, the former Conservative cabinet minister, becoming presldent of the European Commission through their attitude to Europe.

Fewer business failures forecast

Business failures during 1994 will be ten per cent lower than last year, Trade Indemnity, the specialist trade credit insurer, forecast yesterday, writes Andrew Jack.

Tbe number of company failures notified to the insurer was up 10.7 per cent to 1,037 in the first quarter of 1994 compared with the last quarter of 1993.

But failures were down 42 per cent compared with tha first quarter of last year, when they stood at 1,767.

Mr William Simpson, Trade Indemnity chief economist, said companies' investment intentions were modest because of lower capacity, late payment and low demand for loans.

The insurer's quarterly financial trends survey suggested that a further reduction in business failures would be a function of progress on overdue debts, the attitude of banks and whether companies can absorb rising materials costs.

It warned that risk would be concentrated in smaller companies which find it most difficult to obtain finance and invast, and thoae in unpredictable sectors such as high technology.

The results of the survey showed that the average value of debts over thirty daya ontstanding beyond the due date rose to £145,000.

The largest regional declines in business failures compared with the previous year came in the West Midlands at 53 per cent, East Anglia at 49 per cent, Wales at 48 per cent and Yorkshire and Humberside at 47 per cent.

Statistical health warning issued

Yesterday's consumer credit figures highlight the perils of seasonal adjustment, writes Gillian Tett

A statistical health warning accompanies the UK consumer credit figures, released yesterday.

The data, the Central Statistical office noted, may have been distorted because of Easter and its effect on seasonal adjustment. Such warnings are not new. Because spending and borrowing surges before puhlic holidays, statisticians have always floundered over the fact that Easter is a moveable feast and Christmas can fall on any day of the week.

But the timing of Easter this year has created particular problems. Because the holiday straddled Marcb and April, statisticians have been uncertain which month they should adjust to account for the anticipated surge in retail activity.

The CSO insists that the statistical effect of these monthly "glitches" is tiny and point out that tbe problem can be avoided by using the three-month average, which is generally regarded as the best indicator of trends. But this has failed to convince some observers, who say a radical overhaul of the system of seasonal adjustment may be needed.

The Credit Card Research Group – an industry research company – argues that the current system of seasonal adjustment is too limited since lt fails to account for variations in the number of credit card processing days – one reason why the credit figures fell this month, they point out, may bave been that there were fewer processing days in April.

Meanwhile, some British academics argue that the broad statistical methods used to calculate the seasonal adjustment are outdated and clumsy, and should be replaced by newer mathematical models.

The CSO's metbod of seasonal adjustment called "X11", uses a techniqua known as a "moveable average". This was first developed in the US in the 1960s and has since heen adopted by most western governments. Under this system, seasonal adjustment is calculated by looking at fluctuations over several years. To calculate the adjustment for December 1990, for example, the system might look at the average spending surge in the December's between 1986 and 1994.

The system works well for calculating past seasonal fluctuations, where there are data before and after any month. But as Mr Tim Jones, senior statistician at the CSO, admits, the system is less accurate for the most recent data, since there is no "future" data with which to calculate an average. As a result, the CSO usually assumes that the future trend will be the same as previous trends and does not attempt to predict any events that might dramatically change it.

The CSO argues that attempts are being made to make tha adjustments more sensitive, and points out that a new system known as "X12" is being developed in the US which addresses the problem of recent data.

But UK academics such as Prof Andrew Harvey of the London School of Economics argue that tha system is too rigid, since it cannot respond to rapidly changing patterns of behaviour. Mr Harvey believes it should be replaced hy a mathematical modal system which can take better account of any new seasonal factors.

Tha Dapartmant of Employmant bas adopted such a system for some of its data, and the Bank of England, which uses a system similar to tha CSO's, has looked at the options. But so far tha bank has decided against moving to a model-based system, partly because it fears it might take longer to process the data. Meanwhile, bndgetary restraints at the CSO leaves Mr Harvey pessimistic that tha CSO will change its system rapidly.

In the interim, some observers suggest that the best solution may he to place less emphasis on seasonal adjustment. Mr Eddie George, Bank of England governor, for example, is said by former colleagues to he deeply suspicious of seasonally adjusted numbers. Meanwhile, the Building Society Association does not seasonally adjust its own figures, arguing that it does not have the resources to produce a "foolproof system".

But as Mr Jones points out, the wild swings in non-seasonally adjusted figures particnlarly in areas such as retail sales data, can maka it extremely difficult for observers to make sense of non-adjusted figures. "If we didn't seasonally adjust then every analyst would just create their own systems of seasonal adjustment." He insists the CSO has no intention of abandoning seasonal adjustment – leaving most officials concluding thet the most practical solution to any uncertainty may be to increase the size of the statistical health warnings.

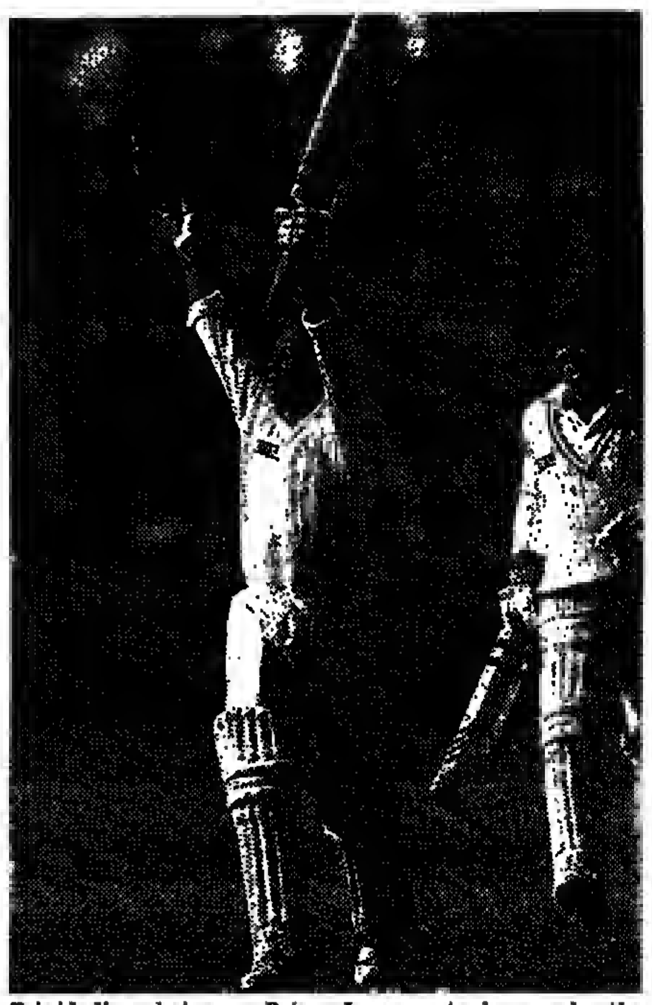
Britain in brief

EU to rule on workers' committees

As many as 59 out of the top 100 UK companies could be legally compelled to establish European-level consultative committees for their workers on the continent despite Britain's opt-out from the social chapter of the European Union's Maastricht treaty, the Trades Union Congress says today.

Under the EU's draft directive on information and consultation in transnational companies will require companies employing at least 1,000 workers across other EU states and 100 or more in at least two of those states to negotiate European-wide arrangements if demanded by their employees or their representatives.

The directive is expected to come into law in the second half of this year during the EU's German presidency.



Trinidadian batsman Brian Lara yesterday made the highest-ever score in first class cricket when be reached 501 runs for Warwickshire against Durham at Edgbaston. His innings beat the 499 made by Pakistan's Hanif Mohammad for Karachi against Bahawalpur in the 1958-59 season Picture: John Potter

Backing for wind farms

Friends of the Earth, the environmental group, is calling for more wind farms to be built, despite criticism of their economic value and visual *impact*.

It calls on planners and wind power developers "to ensure high-quality, publicly-supported wind power projects continue to appear in the countryside." It suggests planning refusals have been influenced by "a sometimes vociferous anti-wind power minority."

Accountancy complaints up

The number of complaints received by the Institute of Chartered Accountants in England and Wales has jumped by more than half in the last three years, according to its latest report.

Complaints focused on alleged poor work, slow *service and disputes over fees*.

Fingerprint system shortlist

The UK Home Office has shortlisted three computer companies to implement Britain's first comprehensive national automated fingerprint recognition system.

They are IBM, which will be supplied with automated fingerprint recognition technology by Morpho and Martin Marietta; TRW, bidding with Cogent as its partner; and Digital, in partnership with Printrak. A decision on the £45m system will be made in October.

Stock Exchange prices warning

The Stock Exchange must gradually remove restrictions which hlock immediate publication of the prices at which shares are bought and sold in London, the London International Financial Futures and Options Exchange said yesterday.

The lack of transparency is already inhibiting the development of a robust futures market in London, said Mr Daniel Hodson, chief executive of Liffe.

PEOPLE

Manchester school head to lead UK teacher training

Education secretary John Patten is hoping one of English education's leading traditionalists will run teacher-training in England and Wales. Yesterday, he named his candidate to chair the Teacher Training Authority, a new quango which will start work in September if the education bill currently in the Commons passes into lsw.

Geoffrey Parker, 61, retires at the end of this term as High Master (headmaster) of Manchester Grammar School, one of the country's most prestigioua centres of academic excellence.

The appointment makes sense as Parker is certainly untainted by any suggestion of the educational establishment's alleged "political correctness", which the new quango is intended to stamp out.

Instead, MGS has continued happily to admit that it is elitist, rigorously selecting its boys and then working them very hard. The advent of A-level league tables in the past few years has confirmed it as one of the top ten independent schools in the UK.

However, Parker, a graduate of both Oxford and Cambridge, denies accusationa that he runs an "exam factory", answering with the names "Atherton" and "Crawley"; both England's current cricket captain, and his possible successor are recent graduates of Manchester Grammar. The scbool plays as bard as it works.

Parker's appointment, which is part-time, need not provoke the left-wing establishment, as he has never taken a high political profile, and has publicly defended links between schools and university education departments.

However, one disgruntlad teachars' union official suggested that a career teaching "the brightest sons of the North-West" is no preparation for the joh of training young teachers to work effectively in deprived inner-city comprehensives. That task may be rather more difficult.

■ Peter Gummer, chairman of Shandwick, and Robert Southgate, daputy md of Central Broadcasting, have been appointed members of the ARTS COUNCIL.

■ Derek Lees has been appointed to the new post of head of market testing and contractorisation at the MINISTRY OF DEFENCE; he is seconded from Rolls-Royce.

■ Ian Bradbery, a partner in Moores Rowland, has been appointed president of The SOCIETY OF PRACTITIONERS OF INSOLVENCY.

■ Nigel Steward, senior partner of Sherwin Oliver Solicitors, has been appointed chairman of LAWNET.

Brent picks Dobbie

Sandy Dobbie, 42, has been appointed chief operating officer of Brent International, the speciality chemical maker which cut its dividend recently following a collapse in its profits.

Dohhie's appointment almost completes the boardroom reshuffle at Brent International which began last August when chief executive Stephen Cuthbert, 51, quit following mounting City concern about the company's lacklustre performance.

Keith Hutchings, 46, Brent's former finance director, was confirmed as chief executive in March and Bill Jessup, 42, who used to work at Brent, has returned as finance director. Dohhle will start by taking over Dennis Wilby's role heading Brent's industrial chemicals operations and will add responsibility for the printing services side at a later stage. Wilby, 46, has been an executive director of Brent for eight years and his future role has yet to be settled by Brent's new management team.

Dohhie, who has a doctorate in organic chemistry from Glasgow University, will complement Hutchings's financial background. He started his career as an industrial chemist and switched into production management. He joins Brent from Merck's speciality chemicals subsidiary Kelco International where he has been managing director for almost four years.

The changes in Brant'a boardroom are not confined to the executive team. Lord Lane, 69, a former senior partner of chartered accountants BDO Binder Hamlyn, steps down next year after ten years as Brent's chairman and hands over to Alec Daly, 58, an executive director of GKN. Meanwhile, Adrian Burn, managing partner of BDO Binder Hamlyn, joined the board as a non-executive director last month following the retirement of David Swallow and John Jones. Brent plans to add another non-executive director at some stage.

■ Christopher Andrews is resigning from the board of Ladbroke, the leisure and property group, less than five months after giving up his responsibilities as company secretary. Andrews, 54, has been with Ladbroke since 1972 and was brought on to the board by former chief executive Cyril Stein as group services director in 1986.

Described as "very much the backroom boy" by former colleagues, Andrews was responsible for head office operations. He was on a three-year rolling contract and will receive a pay-off although this is believed to be substantially less than the contractual entitlement.

■ Gary Gastineau, the author of that essential reference manual, the Dictionary of Financial Risk Management, has joined the New York operation of SG Warburg as head of the firm's global equity derivative research. Harvard-educated Gastineau previously worked for Swiss Bank Corporation in New York where be directed customer risk management product research.

■ Nick Butcher, formerly md and coo for GKN's Chep in Europe, has been appointed md of DHL International (UK).

Hugh Harris decides to retire early from Bank of England

The management reorganisation at the Bank of England has prompted Hugh Harris, 58, to seek early retirement from his position as associate director with responsibility for the Bank's own central corporate services.

Harris is the most senior official to decide to qnit the Bank since the decision to eliminate a management layer and divide its operations into two broad "wings" responsible respectively for monetary and financial stability. The changes at the Bank have already resulted in the departure of seven other senior officials and the closing down of its international division.

Harris'a departure, due later this year, follows a restructuring of the Bank'a central services under which the heads of the Bank'a personnel and finance divisions and tha Bank's secretary will in future report directly to Rupert Pennant Rea, deputy governor.

As part of these changes, John Footman, the head of the Bank's information division, will be promoted to secretary with effect from September when the present secretary, Geoff Croughton, retires. Footman will retain responsibility for press and information work.

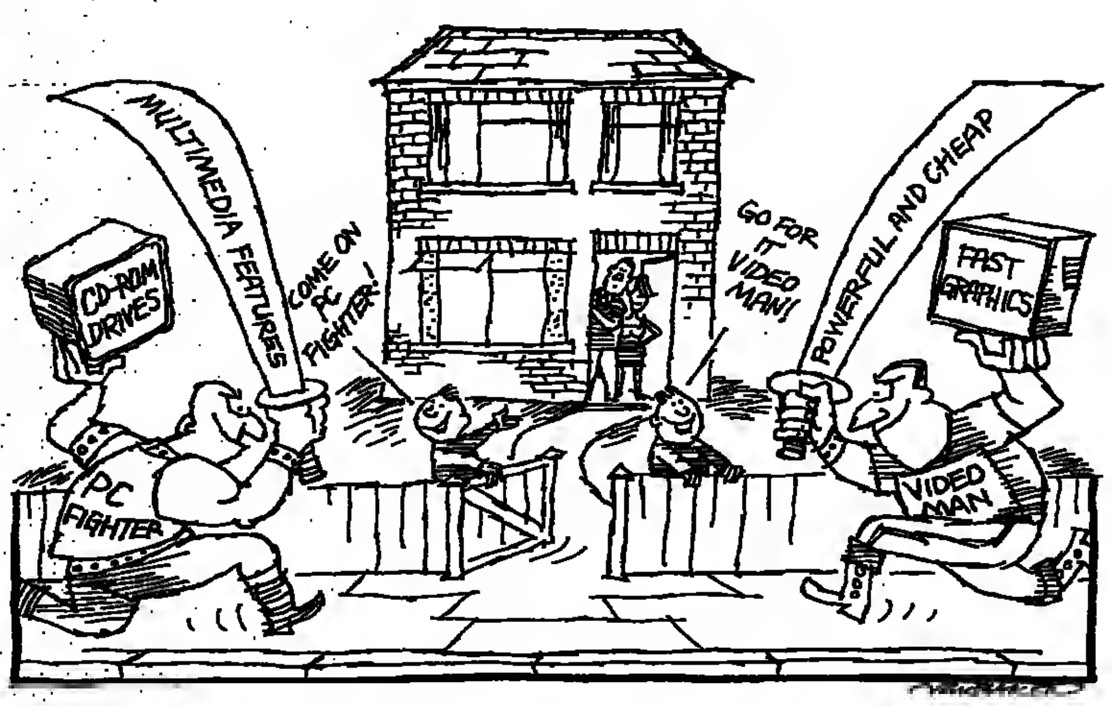
Gordon Midgley, head of management services and the Bank's computer specialist, will expand his empire and be put in charge of finance and resources after the retirement of John Rumins, finance director. Mike Phillips remains Bank auditor and will report to Eddie George, the governor.

A new personnel director will be recruited from outside the Bank. Harris, who joined the bank in 1959, will fill this rola on a temporary basis until the position is filled. (See Observer)

TECHNOLOGY

The competition for fun and games is heating up as PC makers take on the video giants, reports **Tom Foremski**

Battle for house and home



Personal computer manufacturers have always eyed the home market as an El Dorado, a largely untapped gold mine that promises great wealth to those who can find the right combination of technology and price.

Yet the PC industry is littered with sad tales of companies that failed to make it into tha home market, or lost huge fortunes in the attempt, such as Coleco with its Adam home computer, the Sinclair ZX80, Commodore and IBM with its IBM PCjr.

But despite the failures, PCs have made remarkable inroads in the US home market. According to the Software Publishers Association, 27 per cent of US households have PCs. Market research company Link Resources predicts that by 1998, almost 50 per cent of US households will own a PC.

"When you look at medium to large business sectors, the markets are already very saturated," explains Abhijeet Rane, senior industry analyst at Link Resources. "The home market offers much greater potential for growth than the business market."

While many PC companies have offered low-end models as a way into the homa market, Intel, the leading microprocessor manufacturer, has discovered that US consumers are buying large numbers of sophisticated systems.

"Conventional wisdom says that the home PC market is served by a low-end machine," said Paul Otellini, senior vice-president and co-general manager of Intel's Microprocessor Products Group. "The facts are different, however. Multimedia education and entertainment applications are key pieces of the home PC marketplace and they require CPU (central processing unit) performance as well as a robust system design."

Intel recently launched a $150m (£100m) marketing campaign to promote its most powerful microprocessor, the Pentium, in systems aimed at the home market. Intel also plans to cut the price of Pentium microprocessors at a faster rate, making Pentium-based PCs more affordable, especially for the Christmas selling period. By the fourth quarter of this year, Intel expects Pentium-based PCs to account for 25 per cent of all PCs sold, with at least half being sold to the home market.

The strength of the home PC market is making its mark on the design of future PC systems, an area that used to be driven by the demands of the business market. For example, CD-Rom drives and sound cards are becoming standard equipment on PCs, yet there are few business applications that require them. Windows 4.0, the next big upgrade to Microsoft's popular Windows user interface, will be able to run games and educational software applications.

Software applications hava always been the key to hardware sales. In the same way that financial spreadsheet software helped boost sales of business PC systems, games promise to help PC companies in their efforts to enter more homes.

Market research shows that children are a key factor in determining PC purchases. This means that the PC has to adopt some features that will appeal to children who are already familiar with video game player machines.

But the competition is formidable. While PCs have managed to enter markets once dominated by workstations, minicomputers and mainframes on the basis of high performance and low price, video games players are already very cheap. The next generation of video game players, due in 1995 from Nintendo and Sega, will feature fast graphics and powerful microprocessors that will rival high-end workstations at a fraction of the price.

Jeff Camp, multimedia systems product manager at Microsoft, said: "The home PC market is growing quickly but we have had an earful from customers complaining about the lack of fast games for Windows systems. We are now abla to provide games that have the fast graphics that customers want."

Developing games for PC systems has many attractions for video-game companies. There is an installed base of about 40m Windows-based PC systems and the distribution of games for PCs is cheaper. Nintendo and Sega charge video game developers about $20 for each video game cartridge and they maintain strict control over the type of games that can be played on their systems. In contrast, there is no royalty to pay for distributing PC-based games and there are no restrictions on the development of games.

PC owners are typically more affluent and can afford to buy more games. The Software Publishers Association found that half of all US households with PCs have an annual income of at least $50,000.

"PC versions of major arcade game and film hits are the fastest growing segment of our business and of the game industry overall," says Henry Kaplan, chairman and chief executive officer of New York-based game developer Hi Tech Expressions. "Industry-wide, this segment of the market accounted for about $800m in sales in 1993 and we expect it to grow to $1.5bn by the end of this year."

While Microsoft is happy to encourage third-party game developers, it is not ignoring this fast growing market itself. The company has expanded its consumer products division and launched its Home brand which includes low-end versions of its business software such as word processing and spreadsheet software plus new entertainment software.

Although Microsoft offers fast, graphics-based games such as those found in its Arcade package, Tony Garcia, manager of the entertainment division at Microsoft, explains that most of the games are more adult oriented. "Games such as Flight Simulator and our forthcoming Space Simulator offer more depth which appeals more to adults."

Software companies such as Utah-based WordPerfect have also targeted the home market. Earlier this year, WordParfect introduced its Main Street software line, a collection of word processor, spreadsheet, games and educational software. The company also agreed a deal with Walt Disney that will allow it to use Disney characters to market its software in Europe.

Among PC manufacturers, Compaq Computer has been successful in reaching the home market with its Presario models. Its success recently pushed the company to the top in US sales for the first quarter of 1994, ahead of 1993 market leaders IBM and Apple Computer.

For now, PCs and video game-playing machines can co-exist, with most households that have PCs also owning game machines. The battle for the home market will be waged with the coming integration of computers and TVs in the form of set-top TV boxes. These will be powerful computing devices, capable of running business as well as entertainment software, and acting as gateways to the much heralded "informatioo superhighways".

PC firms auch as IBM, Hewlett-Packard and Apple Computer are developing their own set-top TV systems. These companies have an advantage in that there is a huge base of software applications, not just games, that will run on their platforms.

However, video game machine makers will not give up their huge installed base without a fight. Nintendo, Sega and Sony are developing powerful set-top TV systems. Nintendo has teamed with workstation manufacturer Silicon Graphics to develop a set-top TV system that will incorporate many of the features of a high-end 3-D graphics workstation yet retail for less than $300.

Nintendo, Sega and Sony have an advantage in that they understand the consumar electronics market better than their PC rivals. They also have more widely recognised brand names and well-established distribution channels.

Whichever technology wins, it is clear that the competition for the home market will result in larger numbers of computers in the home; allowing parents to work from home, children to run educational and entertainment programs and, eventually, to provide a means of managing huge data flows from future "information superhighways".

Old bugs learn new tricks

Oil á l'orange is a tasty dish for some, says **Ian Hamilton Fazey**

Edward Billington, the Liverpool sugar merchant and foods group, appears to have found a way to make waste oils, tars and other unwanted hydrocarbon stains and contaminants more palatable – not to humans but to bacteria.

The development offers a more environmentally friendly way of cleaning grime-prone surfaces like garage, workshop or factory floors, or petrol station forecourts.

It also works on contaminated ground, where hydrocarbon waste has soaked into soil, giving an alternative to digging out the earth and dumping it.

Using bugs to devour hydrocarbons has been practised in sewage farms for decades but problems arise when the waste comes in an emulsion or suspension after the oils have been dissolved in detergents.

Bacteria are put off by the taste of the detergent and the digestion process becomes inefficient. Most producers of effluents tend to accept the situation and pay their local water authority extra to compensate for the problem.

The principal ingredient of Billington's process is a natural solvent called Pronatur, made from waste orange peel. Billington unveiled it last year after it bought the small company which had developed the solvent. It has since invested £200,000 in a new factory in Bootle – twice the sum planned originally because sales of the solvent are growing faster than expected.

One of the solvent's properties is that it is immiscible in water. This means that if it is used to clean oil-stained concrete, it can be washed down the drain with water and easily separated from tha water in interceptor pots.

In porous material like shingle or soil, a spray of water helps the solvent and bacteria soak in and do their work. In either case – solid surfaces or porous media – the final chemical products are carbon dioxide and water.

The solvent smells like oranges and seems to appeal to oil-devouring bugs. The system has been demonstrated during trial cleaning of stained concrete and railway track at Tyseley depot in Birmingham.

The trials were evaluated independently by Derby University's Environmental Impact Analysis Group and seem to support Billington's claims for its product and systems.

Wheo the trials started, the chemical oxygen demand (COD) of Tyseley's effluent was 12,144 mg/l, more than 20 times above the permitted level. By spraying with Pronatur and water and then adding bacteria to dissolve the waste hydrocarbons, the figure dropped to 4,286 mg/l after a week and 88 mg/l after three weeks.

The hydrocarbon content of the effluent went from 470 mg/l to 54 mg/l in the period. Glycol readings plunged from 7,610 mg/l to less than 1 mg/l, while the pH moved from a highly alkaline value of 12 to 6.82 – barely on the acidic side of neutrality.

"We are now selling do-it-yourself kits to industry, plus training, so companies can carry out this cleaning as a simple, cheap, maintenance routine," says John Hassett, Billington's chief executive.

Richard Monbiot, technical director of Pronatur Products, a Billington subsidiary, says the aim will be to undercut cleaning contractors, where the main cost is labour, and obviate the need to pay extra to water authorities for efflnent treatment because consent levels cannot be attained.

In the Tyseley railway depot case, effluent charges had been £20,000 over six months. The new system cost £10,000 to get everything thoroughly clean, whila continuing maintenance will be a fraction of that.

However, while Pronatur is gaining ground among big companies, Monbiot says medium-sized and smaller companies are sticking to trichlorethane, its entrenched rival. But Billington believes that companies may be forced to change by law, as environmental controls tighten over synthetic chemical solvents.

"Big companies are greener and are more likely to act earlier," Hassett says. Pronatur has attracted interest in the US and Europe, where distributors are in place, and also in Japan.

Go-betweens for business angels

Richard Gourlay examines the growth of informal capital financing and the marriage bureaux set up to bring companies and cash together

Informal capital supplied by business angels is increasingly recognised as an important source of finance for small private companies.

Yet it is a stark fact that very few, if any, of the marriage bureaux that bring together wealthy individuals and private businesses make ends meet. Almost all have required subsidies from government, corporate sponsors, or other parts of their own business, to cover the full cost of their service. Even in the US, where the entrepreneurial seam runs deeper, the most successful marriage bureaux are subsidised.

This is not to say private investors are not backing private companies. Introductions are probably made every day in the golf club and through family ties. According to some estimates, as much as £2bn has been invested in the UK informally over the last 10 years.

The government clearly believes this informal investment is an appropriate form of finance for undercapitalised companies too small or too risky to be considered worthy of formal venture capital. But are introduction services, as currently structured, likely to increase substantially this flow of risk capital?

In last month's white paper on competitiveness, the government said it wanted to work with Business Link organisations, TECs and the private sector to encourage informal investment. The DTI would work to try to help develop "national coverage of a local brokerage service throughout England", the white paper said.

But neither the white paper nor the DTI have said whether the government will provide any funding for this. The DTI's pump-priming funding runs out next December for the five business introduction pilot schemes it backed two years ago.

The DTI has tried, but failed, to encourage the formation of a national database. The agencies – Venture Capital Report, Linc, Capital Exchange and Techinvest – could not agree the form such a national service should take.

As a result, the introduction agency market remains fragmented and the service offered to subscribers varies greatly. The following are some of the leading providers:

Venture Capital Report. Lucius Cary, who started VCR 16 years ago, is the grandfather of the business angel introduction industry. Publisher of a monthly report that goes to the 634 business angels on its books, VCR claims to be the most interventionist of the bureaux, assessing projects at a depth not attempted by other services.

This, VCR argues, filters out the non-starters and gives busy investors a warts-and-all view of businesses including the amount of equity on offer. VCR consultants spend half a day interviewing the company and then compile a five-page summary of the business proposition for publication in the report.

Investors pay £300 a year to subscribe; companies £350 and, on completion of a deal, a £1,000 fee plus 2.5 per cent of any money raised. VCR normally does about 15 deals a year but has already done 17 in the last six months, raising £1m. It has raised £15m since it was set up. Expansion of the formula is constrained by the time required for each appraisal. (Tel 0491 579999)

The Local Investment Networking Company. Comprising 12 Training and Enterprise Councils and Enterprise Agencies, this national umbrella group is sponsored by the private sector. Councillors ensure business plans are complete but their assessment has in the past been seen as more perfunctory than VCR's.

The company seeking equity writes a two-page summary that is published in Linc's monthly bulletin. Linc says there are 250 investors on the books of regional members who have helped raise about £4.5m for 95 businesses since the group was set up in 1987.

It says investor meetings run by its members are increasingly popular; at each meeting about six companies tread the catwalk before potential investors in a beauty parade.

Linc's record has been patchy. Some members, like Staffordshire Development Association, have been active and successful. Others have done almost no deals and have left Linc. Companies pay £200, investors £120 a year; some of the Linc members charge commissions when cash is successfully raised. (Tel 071 236 3000).

Techinvest. Based in Cheshire and one of the DTI's five demonstration programmes, Techinvest is one of the more successful regional introduction services. Started in February 1993, it has 79 angels on its books and says it has raised more than £1m for 20 deals in 12 businesses. (£500,000 was provided in one deal by a venture capital group.)

The service offers companies seeking money a subsidised advisory service during which consultants put the proposal into shape. It also runs investor meetings and plans to open them to the public for a fee next month.

Techinvest sends some of its proposals to VCR and some to Linc for inclusion in Linc's national bulletin. Investors and companies pay £200 to join – £400 if their cases are published through VCR – and a fee similar to VCR's if cash is successfully raised. The source of future funding is uncertain. (Tel 0606 737009.)

The Capital Exchange. The youngest of the four partners the DTI was trying to encourage, Capital Exchange is purely a publishing operation. It aims to provide a market place for information and attempts to provide angels with a wide choice of businesses, but it does not vet its investors.

A network of self-employed principle advisers spends about three hours verifying that companies seeking funds have a complete business plan. These advisers receive part of the £120 fee that the companies pay for inclusion in a newsletter.

Capital Exchange says it has found as much interest among corporate as private investors. Set up late last year, Capital Exchange says it has found joint venture partners or equity for 19 businesses. It has no way of verifying how much of the £2.8m sought was actually raised. It has 1,100 members, 700 of which are investors, who pay £75 a year membership. (Tel 0432 342484.)

Somewhat different from all of these is 3i, the UK's largest supplier of private equity to private companies. At the height of the recession, 3i had used successful businessmen and women with time on their hands as non-executive directors, particularly in smaller companies which the group was refinancing.

Increasingly these non-executives wanted and took equity stakes, investing alongside 3i in classic informal financings where the managerial expertise of the angel was as important as the cash.

The group says that a large number of its deals worth less than £500,000 now follow this pattern of co-investments alongside business angels. In the 17 months to the end of December 1993, 3i co-invested in 53 companies in this way; its contribution is between three and 10 times what the angels invest, depending on the size of the deal. 3i says it has 150 business angels on its books, many of whom want more than one non-executive equity investment. The angel is often the factor that makes the deal viable, 3i says.

Other groups trying to introduce angels and opportunities include accounting firms such as Blackstone Franks that keep a database as part of their service to customers.

The National Westminster Bank has said it will launch a pilot introduction service that will incorporate a national database of business angels. The launch has been delayed but NatWest says it is developing the product. Other introduction agencies are listed in a booklet produced by the British Venture Capital Association.

One group not in this guide is Enterprise Adventure (Tel 0483 458111), which launched a national database last week called Venturelist. Computer-based, it hopes to be a national clearing house which angels can access via modems. After a period in which the service is free, companies will pay £300 for a quality assessment by a consultant and an entry on the database. Individual investors will pay £500 – firms of accountants bringing a number of angels will pay £1,000.

Like the other services, Venturelist will depend heavily on getting an adequate supply of angels and a strong enough deal flow.

Pinning down angels and the amount they invest is notoriously difficult. But if recent research is to be believed, there are about 50,000 informal investors in the UK. Colin Mason, of the University of Southampton, guestimates angels have as much as £3bn they would invest if only they could be joined with business opportunities.

A better flow of information would clearly facilitate more marriages between angels and entrepreneurs. But judging by the record, most angels will continue to find their investment opportunities through their own networks rather than through the energetic offices of the business introduction services.

Call for trust changes

The British Venture Capital Association is this week expected to tell the government its proposed venture capital trusts need substantial changes if they are to be attractive to investors and sponsors.

In a submission to the Inland Revenue, the BVCA says the VCTs need to be allowed to invest in larger companies and says greater tax breaks are required to attract investors.

The government announced it would launch the VCTs in last November's budget as one of a number of measures to encourage private investment in small companies.

While the idea has been welcomed in principle, the structure proposed by the Inland Revenue has been widely criticised as providing insufficient reward for the added risks of investing in unlisted companies.

The BVCA wants the single investment limit to be £2m, compared with the Revenue's proposed figure of £1m; the Association of Investment Trust Companies wants a £3m ceiling.

The BVCA also wants investors to enjoy capital gains tax roll-over relief when they sell quoted or other investments and reinvest the gains in the VCTs. Since the last budget, this relief has been available on direct investment in private companies.

The government wants the VCTs to help attract private equity investment in start-ups, new and high-technology and smaller companies.

The BVCA argues that, by only allowing investment in this type of small company, the VCTs would be unattractive to investors and highly risky.

It argues the government should consider either up-front relief against income tax at 20 per cent or tax relief for investments in the smallest companies, for example below £500,000, instead of the proposed tax relief on dividends and capital gains.

RG

THE BUSINESS SECTION ALSO APPEARS ON PAGE 22 TODAY

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For further details contact Peter Landsborough, FCCA tel: 0428 751671; fax: 0428 751405

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- WIP and Forward Orders.
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For further details contact the Joint Receiver: Donald McGruther, Grant Thornton, 112 West George Street, Glasgow G2 1QF.
Tel: 041-332 7484. Fax: 041-333 0581.

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For further information please contact Roger Smaridge at Touche Ross & Co., Columbia Centre, Market St., Bracknell, Berkshire RG12 1PA. Tel: 0344 54445. Fax: 0344 422681.

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For further details please contact F W Taylor, Ernst & Young, Silkhouse Court, Tithebarn Street, Liverpool L2 2LE.
Telephone: 051-236 8214. Facsimile: 051-236 0258.

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For further details please contact Robert Matusiewicz, Joint Administrative Receiver, at the address below.

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For further information please write to Jeff Keating at the offices of Smith Williamson Securities, No. 1 Riding House Street, London W1A 3AS Fax 071 631 0741

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State Holding Company

MODIFICATION OF INVITATION FOR TENDER

The **State Holding Company** (hereinafter as Caller of SHC) informs the interested parties with the assistance of **Daiwa-MKB (Hungary) Investment and Securities Co. Ltd.** (hereinafter as Adviser), that exercising its right included in the 3rd point of Chapter VIII of the Tender Conditions,

the deadline of submission of the bids are modified

in case of the one-round public tender announced for the purchase of HUF 453,570,000 nominal value state-owned shares of

Zsolnay Porcelain Factory Co. Ltd.

representing 84,285% of the share capital.

The modified time period available for submitting of the bids:

August 1, 1994 from 9.00 am to 12.00 noon

Place of submitting of the bids:

Daiwa-MKB (Hungary) Investment and Securities Co. Ltd.
East-West Business Centre
1088 Budapest
Rákóczi út 1-3. 111/38.

The bids will be opened by the opening committee formed by the representatives of the State Holding Company and the Adviser in the presence of a Notary Public at the headquarters of the Adviser at 2.00 pm on August 1, 1994.

The other regulations of the Tender Conditions are unchanged.

INVEST IN HUNGARY ● A SAFE EXPANSION

STATE PROPERTY AGENCY

CALL FOR TENDERS

In cooperation with Daiwa-MKB (Hungary) Investment and Securities Co. Ltd. (further referred to as: the Consultant), the **State Property Agency** hereby issues a public call for tenders

for the sale of the state-owned shares of Kossuth Nyomda Rt. (Kossuth Printing Press PLC).

The Company's registered capital is HUF 697,000,000, with a share package at a value of 50%+ 1 vote being offered for sale.

The Company's capital reserves: HUF 559,112,000.

Privatisation costs, the extent of which amounts to HUF 20,000,000, may only be settled in cash.

Conditions of participation in the tender:
depositing HUF 8,000,000 retention money
signing a statement of confidentiality with respect to information provided

Deadline for submitting offers: Wednesday, August 17, 1994 between 12.00 - 14.00 hours in the presence of notary public.

Offers must be submitted to: Állami Vagyonügynökség (State Property Agency), H-1133 Budapest, Pozsonyi út 56. floor VIII, room No. 804.

Offers must be delivered to the above address in 3 copies, specifically marking the original, in sealed envelopes without indicating the sender.

The tender must unambiguously indicate the fact that the offer contained therein shall be valid for 90 calendar days after the due date for submitting tenders.

After opening the tender-envelopes, the SPA may request written or oral supplementation.

The SPA maintains the right to call a tender as having been unsuccessful.

Submitting tenders shall be subject to purchasing the detailed tender documentation containing also the detailed call for bids for HUF 10,000, + VAT, at the headquarters of Daiwa-MKB Rt. (1088 Budapest, Rákóczi út 1-3, floor III, room No. 38), against signature of the confidentiality statement.

For further information, please contact:
Sándor Faragó (senior advisor, SPA) Tel: (01) 269 8600
Károly Székely (general director, Kossuth Nyomda Rt.) Tel: (01) 157 0450, and Daiwa-MKB Rt. Tel: (01) 266 0361

INVEST IN HUNGARY ● A SAFE EXPANSION

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- Turnover exceeds £7 million per annum

Enquiries to AJP Brereton FCA,
Price Waterhouse, York House, York Street, Manchester, M2 4WS. Tel: (061) 228 6541 Fax: (061) 236 1268.

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A detailed sales pack, subject to a suitable confidentiality agreement, can be obtained from: Jeffrey Burton, FCA, Charles & Partners, Chartered Accountants, Trafford House, Davyhulme Circle, Manchester, M41 0SU.

FINANCIAL TIMES SURVEY

■ Carlsberg's global reach – from China to the UK Page III

DANISH FOOD INDUSTRY

■ How rennet led to biotechnology Page IV

Tuesday June 7 1994

A healthy appetite for world markets

The food industry accounts for a quarter of exports and has been hit by the recent Gatt deal. But there could be new opportunities, writes Hilary Barnes

An English schoolgirl who was asked in the 1980s what she associated with Denmark, replied: "pig, pig, bacon, pig". This may not he an uncommon image, but there is much more both to modern Denmark and to its food industry.

Though it rears more than 20m pigs a year and still provides the best-selling imported bacon in Britain, Denmark, with only 5m people, produces enough food for three times that number. It also has a large share of world markets in other areas apart from pigmeat where it has specialised, such as cheese and fresh and frozen fish.

The food industry provides between 12 and 18 per cent of Denmark's domestic employment, (depending on the definition used), and accounts for about 25 per cent of the country's merchandise exports.

Denmark is the world's fifth-largest exporter of food products, according to a report produced for the Ministry for Industry last year, and a 16 per cent increase in output over the past 10 years has enabled it to maintain its share of world markets.

Manufacturing industry long ago overtook agriculture as the country's main export industry, and now provides about 70 per cent of the country's merchandise exports, but agriculture and fisheries still account for about 5 per cent of total employment and roughly the same share of total production.

The rise of the primary food industries – pigmeat, dairy products and fish – has been accompanied, too, by the development of companies in associated industries, many of them world leaders. These include Novo Nordisk, Christian Hansen Group and Grindsted Products, producers of food ingredients such as enzymes, emulsifiers, stabilisers and flavourings; Foss Electric and Radiometer in instrumentation; and APV Danish Turnkey Dairies and Niro Atomiser in food processing machinery.

Carlsberg has, of course, established itself, too, as a leading international brewing company. Danisco, the sugar, distilling, frozen vegetables and packaging group, is less well-known internationally but has become one of the largest European producers of beet sugar through acquisitions in Sweden and Germany, and is one of the country's largest listed industrial corporations.

The food and food technology industries, because of their vital importance to the health

WORLD EXPORTS

Denmark's share

Pigmeat	26%
Frozen fish	18%
Fresh fish	12%
Milk, cream	12%
Cheese	10%
Bakery products	10%
Total world exports	0.85%

Source: Kim Møller and Henrik Pade, Industrial Success, 1988

of the Danish economy, have been pinpointed by the government as one of the sectors on which Denmark's future growth and prosperity will depend.

For this reason the government is helping to finance a substantial programme of research, which, it is hoped, will enable the country to lift the quality of its prodncts along the route from the farm to the table.

The strong position which the country holds in the food industry goes back a long way. Denmark was one of a few countries in Europe which did not react to the challenge of cheap American corn in the 1870s by raising import barriers. Instead, its farmers had to find alternative sources of income, and as a result, developed a lucrative market exporting butter, eggs and bacon to the UK.

The country's food and food technology industry has never looked back. Since entry into the then European Communnity further support for Denmark's primary agricultural industry has come from the common agricultural policy, which subsidises exports to non-member countries.

Yet, a threat of sorts does now hang over the sector in the shape of the recent Gatt agreement, which calls for a reduction of 34 per cent in the volume of exports of subsidised prodocts.

Mr Bjorn Westh, minister for agriculture, sees the Gatt agreement as a challenge, which opens up opportunities to win new markets, and he is calling for an attacking policy on the part of Europe to make the best of these opportunities.

Mr H.O.A. Kjeldsen, president of the Agricultural Council (an umbrella organisation for almost all the Danish farmers' organisations) shares the minister's view, although, as he says, his members "face a harsh period of adaptation".

The rest of Europe has a special reason to be interested in the Danish food industry and its ability to adapt. A large share of Denmark's agricultural exports goes to non-European Union countries, especially cheese, a product in which Iran is the largest export market by tonnage. The Middle East is an important market for hutter and milk powder and Japan has overtaken the UK as the most important market for Danish pigmeat (by value, though not by tonnage).

As Mr Westh points out, policies which allow Denmark to continne to export to third countries should be of interest to other European countries. Otherwise, the products concerned will be offloaded on to the European market, causing serious downward pressure on prices.

He wants the European Union to consider bringing the European corn price down to the world market level. This would eliminate the subsidy element in the prodoction of pigmeat and poultry, which are fed on corn products. No quantitative restrictions, would as a result need to be imposed under the terms of Gatt agreement, on exports.

Mr Kjeldsen also wants Europe to introduce B-quotas for milk production. The B-quota would be priced at the world market price and could be used to help Denmark to maintain its exports of cheese, hutter, and powdered milk exports outside Europe.

Prospects for the primary food industry clearly depend on access to world markets, but Denmark has one important advantage. Pigmeat, the most important agricultural export product, is not directly supported under the common agricultural policy and its exports are therefore not threatened by the Gatt agreement in the same way as dairy products and beef.

Though pessimists focus on the food surplus in European countries in considering the future of the agricultural food industry, others, such as Mr Erik Juul Jorgensen, head of the private Institute for Food Studies and Agro-industrial Development, in Copenhagen, focus on the global market. They predict a strong increase in demand for food, and see few limits to the potential for Danish production and exports, given a satisfactory world trading regime. In a 1992 report, Mr Juul Jorgensen argued that Denmark could double production by its agricultural, food processing and agro-technical industries between 1990 and 2001.

The pig farmers have shown the way. Between 1989 and 1993, pig production increased from 15.5m to more than 20m animals per year, or hy 30 per cent. Pigmeat prices over the past year have been so low, however, that no further increase in prodnction is expected.

Mr Bent Sloth, chairman of the Association of Danish Slaughterhouses and himself a pig producer, predicts that pig output will not rise from the present level for several years. However, Mr Westh believes production may well reach 25m by 2000, and Mr Juul Jorgensen sees no reason why it should not reach 30m during the first decade of the next century.

A feature of the agricultural sector is the domination by the co-operative movement. Two co-operative dairies, MD Foods and Klover Milk, account for 90 per cent of the milk produced on farms. Five slaughterhouse groups account for almost all the pig production. MD Foods and the two largest slaughterhouse groups, Danish Crown and Vestjyske Slagterier (West Jutland Abbatoirs) are among the largest companies in their industries in Europe.

The co-operatives, which are governed by a democratic system of one man, one vote, provide the dairies and slaughterhouses with a unique degree of vertical integration from farmer through processing to export sales.

One of the disadvantages of the co-operative system according to its critics, is its inability to raise equity capital from external sources. The co-operatives have found a way round this limitation, however, through the establishment of MD Foods International in the dairy sector, and Tulip International in the meat sector.

MD Foods, which has invested heavily in the UK dairy industry, and Tulip, which is the processing arm of Danish Crown, (producing such items as minced meat and ham, as opposed to fresh and frozen cuts), are partly financed by equity from Danish institutional investors.

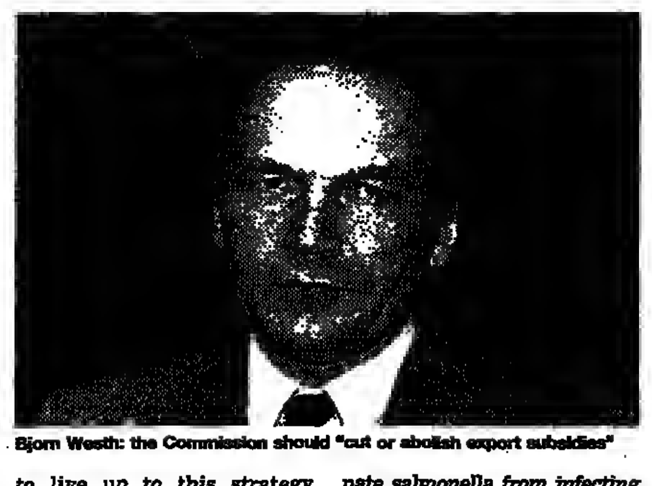
Critics of the co-operatives also say the industry has been slow in embarking on production of more highly processed foods, such as charcuterie products and convenience foods, hut Mr Kjeldsen rejects that charge. "Most of our exports are high-quality, processed raw products. We obtain attractive prices, for example, for our pigmeat exports to Japan, because we make products with a uniform high quality. We would earn less if we went into highly processed convenience foods and sold them under our brand names, a business that requires an enormous investment."

Although the farmers are enduring tough times at the moment, Mr Kjeldsen is not discouraged. "When young people ask me if there is a future in farming, my answer is: Yes. There will always be problems, but there are problems whatever sector you are in. A well-educated farmer has a good future in Denmark," he says confidently.

Some of these Danish Crown pigs may be destined for Korean dinner tables (see story on page IV)

Bjorn Westh, the minister of agriculture, talks to **Hilary Barnes**

Coping with the challenge of Gatt


Bjorn Westh: the Commission should "cut or abolish export subsidies"

Denmark has a position of strength in food production which offers opportunities for development, says Mr Bjorn Westh, the minister of agriculture who is sometimes tipped to become his country's next EU Commissioner.

"We do not think there is anything old-fashioned about producing food," he declares in an interview. "The food industry gives rise to 25 per cent of all amployment in Danish industry. It brings in about DKr55bn (£5.7bn) a year in export revenues, and export revenues are required to keep the welfare state going. If we want to develop the welfare state wa must have jobs in industries which earn foreign currency, and in the food industry we have a position of strength that we must utilise."

This might seem a bold commitment at a time when European agriculture is being forced by reforms of the common agricultural policy and the Gatt deal to curb production and exports. Mr Westh does not dispute the fact that the future of Danish agriculture and its related export industries is dependent on how the European Union reacts to the Gatt.

On tha other hand, he does not have much time for calculations which show that Danish farm incomes will be cut by DKr2bn or so – 7 or 8 per cent of gross factor income – by Gatt. "They don't take into account the new market opportunities, so they are unhelpful, static calculations. The world does not stand still, and Denmark is not standing still.

"On our part, we want the European Council, in connection with this year's price negotiations, to approve a declaration calling on the Commission to work out a strategy by which the European countries can utilisa the new market opportunities which the Gatt will provide."

Mr Westh is referring to the obligation of Gatt signatories to allow at least 3 per cent of their food supplies to be imported, rising to 5 per cent after five years. "We see Gatt as a challenge, and we must go on the offensive. We must ensure that we are active and that it is not the Americans, the New Zealanders or the Cairns Group countries who run away with everything," he says.

Holland "has twice the animals and three times the people in an area a third of Denmark's size"

As the Gatt calls for a reduction in exports of subsidised products, "we want to put the Commission to work to see if we cannot abolish or reduce export subsidies.

"The EU corn price is still 10-15 per cent above the world market price. If we can bring it down to the world market price, corn exports would not be subject to export subsidies, and neither would products based on corn, such as pigmeat and poultry. A side-effect of this would be that we would no longer need obligatory set-aside policies."

This view finds support in the UK and France, he says, but other EU countries will resist it. However, ha points out that if the EU does not succeed in adopting policies which allow exports to third (ie. non-EU) countries, Denmark will hava to sell large quantities of dairy and pigmeat products in Europe, with a painful impact on prices. "I think this argument will mean that soma countries will begin to listen to what we are saying."

As Mr Westh sees it, Danish food exports will not compete with exports from developing countries, at least not directly. "We shall compete in markets where there are consumers who want high quality products and have the means to pay, especially markets in south-east Asia, such as Japan, Korea, Singapore, some south American markets and the Nordic market.

"Danish agriculture will try to live up to this strategy through an aggressive, broad quality policy, from conditions on the farm through processing to transport ... Quality is having control over environmental problems, over the surroundings in which animals live, and not only the product itself."

As an example, he points out that a major effort is being made at the moment to eliminate salmonella from infecting pigs on the farm or at any stage of processing.

Mr Westh is on the whole an optimist. Last year Danish pig production passed 20m for tha first time. "I don't see why we shouldn't produce 25m pigs by the year 2000, and perhaps more milk than we do today as well," he says.

"If I am relatively optimistic it is also because when you look around the world you see the environmental issues coming into focus. We have a good chance of handling these problems successfully, not only because we started to tackle them early on but because we have a structure which makes tha problems easier to tackle. You only have to look at a big food producer like Holland, which has twice as many animals and three times as many people in an area a third the size of Denmark."

Legislation which restricts the number of farms that one farmer may own or lease, and regulates tha number of animals per hectare of land, will prevent the establishment of gigantic pig farms, however. "Wa do not want individual units to be too big. There are veterinary and health dangers in very big units. In return we have told the farmers that they can own and lease more units.

"This goes together with our quality approach. We do not want a policy which encourages the use of medicines, and we want the farmers to be able to keep an eye on the health of the animals," he says.

Tony Jackson on Danisco, a big fish in its pond

The skill not to turn its back on the basics

The trouble with the Danish food industry, according to one of its most senior executives, is that its output is just too basic. Take meat and animal products, says Mr Elvar Vinum, chief financial officer of Danisco, the food group. "We're still selling raw materials too much. We have to do more to develop them."

Since Danisco makes much of its money from such basic activities as refining sugar beet and freezing peas, it might seem open to the same criticism. Not at all, says Mr Vinum. There is a lot of skill in freezing and distributing vegetables to the standards required by international food companies such as Unilever and Nestlé. As for sugar, the company has more than 120 years of experience. It is a business in which efficiency is all: and Danisco, Mr Vinum says, is one of the two or three most efficient sugar refiners in Europe.

Danisco was formed at the start of 1989 through the merger of three publicly quoted Danish companies: Danish Sugar (much the biggest of the three), Danish Distillers – almost the monopoly Danish producer of spirits, especially aquavit – and Danisco itself, a maker of food ingredients. The motive, says Mr Vinum, was simply one of growth. Taken together, the three companies would have "more momentum".

The rationale of the new group was that it should be in "food-related" industries. This involved a lot of pruning: some 43 per cent of the original group by turnover, chiefly in engineering, has been got rid of. At the same time, the group has been expanding in packaging, both in corrugated board in the UK and Denmark and in flexible plastic packaging around the world.

This apparently paradoxical broadening of the portfolio is defended by Mr Vinum. "We've been in packaging for a very long time," he says. "It's a business we felt we knew something about." The packaging is mostly for food products, and the great bulk of it is for outside customers. It is not, in other words, an old-fashioned case of vertical integration. "We're not in packaging to provide it for our own products. It's a business on its own."

Although unusually large for a Danish company – comfortably among the top 10 quoted companies in market value – Danisco counts only as a medium-sized food group in global terms. In 1992-93 its sales were DKr13bn (£1.3bn), and its market value is about DKr10.71bn (£1.1bn). However, it is plainly ambitious. Since the merger, and not counting the financial year 1993-94 just ended, it has spent DKr5.5bn on acquisitions and the same amount again in capital expenditure.

The largest part of the investment, says Mr Vinum, has been in sugar. Besides being the Danish monopoly producer of beet sugar, Danisco paid DKr2.2bn in 1992 for its opposite number in Sweden, making it the fourth biggest producer in Europe. Also two years ago, it bought eight small sugar refineries in Germany and is just finishing the task of combining them into one European-scale plant, at a total cost of a further DKr1bn.

Acquisitions apart, a lot of the expenditure has gone on the food ingredients subsidiary Grindsted, which grew out of tha original Danisco. This is a truly global business, with new capacity recently installed in Denmark, the US, Mexico, Chile and Malaysia. Grindsted, says Mr Vinum, is one area where "we can see a lot of growth around the world".

EMPLOYMENT

Denmark: 1992 figures

Total	1,918,000
Agriculture, fisheries	119,000
Manufacturing	389,000
Food processing	61,000
(Abbatoirs, meat processing	27,000)
(Milk processing	8,000)
Services to industry, food processing	51,000
Investment*	
Total food-related	248,000

*In building and machinery for agricultural sector

Source: Danish Farmers' Union

The trick, he says, is to work very closely with the customers, the food manufacturers. "For instance, we are one of the world's biggest producers of pectin" (used in making marmalade). "That's a very specialised field, where the customer wants to be absolutely sure the pectin produces his marmalade every time."

Another Danisco subsidiary, Taffel, is itself a marmalade producer. "It took Grindsted quite a long time to break into that company with their pectin after the merger. The customers know exactly what they want, and to change may be very difficult."

Yet another area still offering scope for expansion is packaging: both in northern Europe – taken to include the UK – and in the US. Danisco, says Mr Vinum, is particularly interested in the US because the sale of its engineering businesses reduced its activities there, so that almost its only activity now is food ingredients. "We're open to acquisitions," he says.

The one part of the business which looks decidedly unglamorous at present is distilling. Eighteen months ago, in an event which has distinct echoes in the UK at present, the Danish government cut the duty on beer by some 40 per cent to protect local brewers from German imports. Duty on wine was cut as well, but not on spirits. As a result, Danisco complains bitterly, alcohol drunk through the medium of its products is taxed at six times the rate of that on beer or wine.

Given that Denmark has the highest duty on spirits in the European Union, this was predictably damaging. Last year, Danish consumption of spirits fell 11 per cent, while the markets for beer and wine went up 2 per cent and 9 per cent respectively. The result, as Danisco points out, is to distort competition. Whether the government is prepared to forgo yet more revenue to set that right is not yet clear.

Either way, the company's attention is devoted much more to the international arena these days. At the start of this year, it undertook an international offering of DKr1.15bn worth of convertible bonds, with around 70 per cent taken up by foreign investors. The goal, Mr Vinum says, is to get foreign ownership of the company's equity up to around 20-25 per cent. At present it is half that.

The company, in other words, is showing signs of outgrowing its native financial system. As it expands on the world stage, it seems not impossible that it will one day attract the unwelcome attentions of one of the real giants of the food industry. So far, however, it remains a big fish in a respectably-sized Scandinavian pond.

■ ADVICE TO FARMERS

A model for eastern Europe

With 20m pigs in a country with only 5m people, it is clear that the focus of Danish agriculture must be on finding markets elsewhere. Farmers are increasingly geared towards producing for the export trade.

But it is not just pork and milk that are exported from Denmark; its farming advisory service has gained such a prominent reputation overseas that advisers are now exporting the "Danish model".

The Danish Agricultural Advisory Service is owned by producers and run in a similar way to the co-operatives which dominate farm output in Denmark.

Local advisers must answer to a board of farmers which also dictates priorities for research. This structure helps information to be disseminated as quickly as possible to a range of farmers.

The advisory service runs 95 local centres at a cost of DKr1.1bn (£112m) a year; the government provides some of the funds but most is put up by farmers themselves. The organisation runs a national headquarters at Skejby near Aarhus in Jutland, providing a resource centre for local advisers with a budget of DKr238m. It also helps to channel requests to research bodies.

The system has been so successful in Denmark that its advisers are helping set up similar operations in eastern Europe. Danish agricultural advisers are currently working in Poland, and the three Baltic countries: Lithuania, Latvia and Estonia.

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One of the advisers points to the difficulties of setting up a system which, in essence, is run by farmers on the ground in countries that have been used to receiving orders from the top. "We try to stress that we are supporting farming in the same way that fertilisers are: we are just one input," says Mr Niels Gert Nielsen, an international adviser.

The structure of the Danish farming industry, which comprises some 70,000 mainly family farmers, makes it important that advice is offered at a local level and that the process involves as many producers as possible.

With the current emphasis on reform of the common agricultural policy in tha European Union, and all that involves in price cuts, farmers need all the help they can get.

Deborah Hargreaves

Profile: WOLFKING

Market leader in meat machinery

Whenever you eat fast food, the chances are high that the ground meat in the burger, the chicken nuggets in the salad or the salami slices on the pizza were churned out by machinery from a small Danish company, Wolfking.

With few exceptions, the Danish companies which manufacture machinery for the food processing industry are small, but they often have a substantial share of the world market in their special area.

Wolfking is typical. At its headquarters in the town of Slagelse, on Sjlland, it employs about 200 people and has a turnover of about DKr160m (£16.5m), but it is nevertheless a market leader in its field. About 85 per cent of its production is axported. Its biggest market, where it employs a sales and service staff of 25, is the US, followed by the UK, Germany and France.

The global range of its exports, which go to China, Japan, Korea, and South America as well as the US and Europe, has helped Wolfking maintain its growth despite downturns in individual national or regional markets.

Started as a family business in 1949, Wolfking has been a member of the Danish BJH Group since 1979. BJH is an unlisted private company with a turnover of about DKr1bn, mainly from production of raw materials for the European petfood industry.

Since 1949, Wolfking's amployment has more than doubled to more than 200 in Slagelse itself. In addition, it has sales and service companies in the US, the UK and Germany. It works through agents in another 30 countries or so. Two years ago it bought a Dutch company, Belam, which concentrates on ham production systems, with 50 employees. Altogether, the Wolfking companies have a turnover of about DKr200m.

Wolfking produces all the machinery which is required by butchers, supermarkets and mass-producers of minced-meat products or hams from the point at which raw materials are delivered to the final handling and portioning of the finished product (but not packaging machinery) – ranging through simple machines to semi- and fully-automated systems, including "grinders, mixers, emulsifiers, injectors, tenderisers, massagers, pumps and transport equipment", according to its catalogue.

The acquisition of Belam is an indication of things to come. Other companies which have high-quality products and product programmes are being sought to complement Wolfking's existing business.

Most of Wolfking's machinery is for the meat industry, but not all. The company also manufactures food pelleting systems for the fish-farming industry, machines for making processed cheese, and plant to produce fish-fodder for mink (which is no accident: Denmark is the world's largest producer of mink skins). Some of its equipment also goes to the pharmaceutical and chemical industries, bakeries, and producers of chocolate and sweets.

Where Wolfking has the edge over its international competitors, says Mr Jacob Dilling-Hansen, marketing manager, is in its supply of complete, fully-automated processing lines. "No one else makes such complete machinery systems as we do."

As a supplier of automated production systems, says Mr Dilling-Hansen, "we are cleaning up the market. Our share of the world market for systems of this kind is about 75 per cent."

Wolfking gained its first reference for this kind of system by delivering the equipment for a big plant operated by Tulip International, the Danish company, for minced-meat products at Vejle, Jutland. The plant was installed at the end of the 1980s. Since then, it has delivered complete systems to Germany, Spain, Norway and the UK, where one of its production lines turns out 75 tonnes an hour, 24 hours a day, six days a week for Spillers, the petfood group, near Glasgow.

The development of these large-scale systems has taken Wolfking into the era of computer-aided design and manufacturing and computer-integrated manufacturing systems. All project development, engineering and design is done on three-dimensional CAD network. Plant control software is developed in-house.

When machinery or complete systems are delivered, the same engineers who worked on production are sent to the customer to undertake installation and start-up, says Mr Dilling-Hansen.

One of the company's main pre-occupations is to ensure that its machinery meets the requirements of the European Union's machinery directive, which comes into force in 1995. The directive concerns hygiene and safety. "We expect that all our machinery will receive the 'CE' stamp by then," says Mr Dilling-Hansen, "and we think that many of our competitors will have trouble meeting the deadline."

Hilary Barnes

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Anyone who believes Danish business is parochial should look carefully at Carlsberg. Around the world, brewing is for the most part a parochial business: perhaps unsurprisingly, since a product consisting almost wholly of water is expensive to ship.

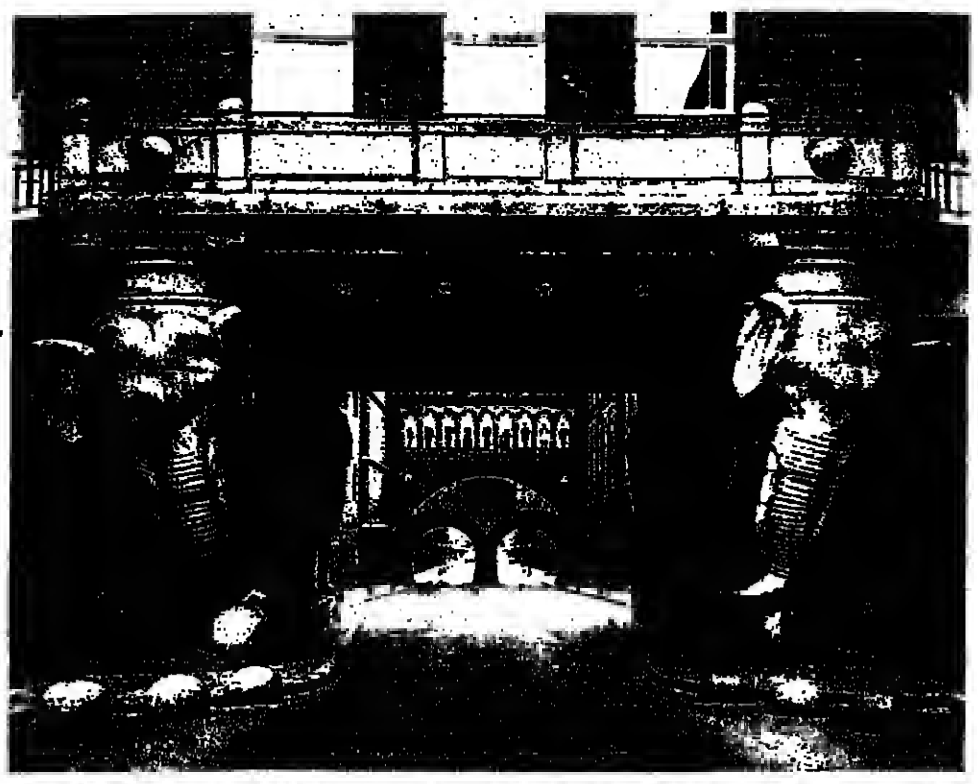
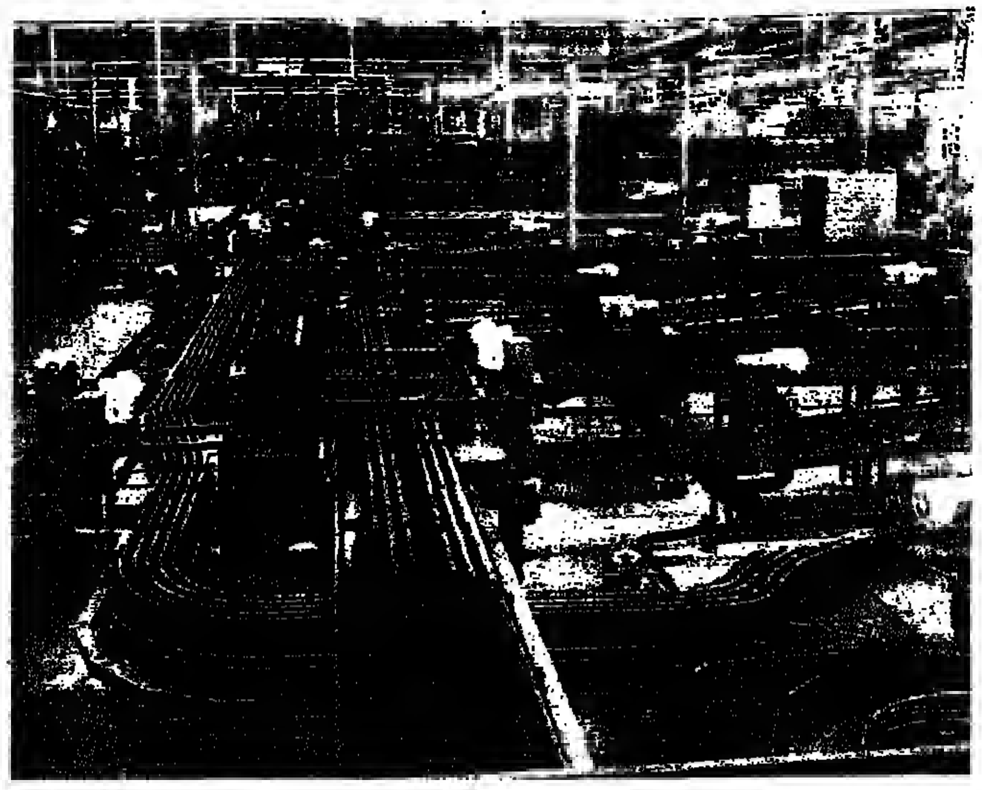
Carlsberg, however, sells less than 20 per cent of its beer in its home market. With the exception of Heineken of Holland – which Carlsberg sees as its main rival – no other big brewer has the same international reach.

In theory, at least, this is a very enviable position to be in. Rather like the tobacco industry, brewing in the western world has seen its prospects transformed in recent years by the opening up of vast new markets in China and eastern Europe. Unlike the tobacco companies, most of the world's big brewers are scarcely equipped to take advantage of the fact.

Carlsberg, by contrast, has been outward looking since its beginnings, if only because the smallness of its home market forced it to be. Founded in 1847, it first shipped beer to England in 1860. By the turn of the century, as Carlsberg executives will tell you today, it was putting up advertising posters in China.

The attraction of China is no less powerful today. "By the turn of the century," says Mr Michael Iuul, Carlsberg's head of international operations, "China will probably be the biggest [beer] market in the world: bigger than the US." At present, he puts the Chinese market at 70-80m barrels a year. His forecast is for 130m barrels or more.

As with tobacco, the overseas share of that market is still minute, if only because foreign beer is so much more expensive than the local brands. But Carlsberg has breweries in both Hong Kong and mainland China, and its subsidiary Danbrew – a specialist in building breweries in the developing world – has built 10 breweries for Chinese customers to date.



The Carlsberg brewery in Copenhagen, with its distinctive elephant panels at the entrance, and (right) a view of the inside of the plant

Tony Jackson on the global reach of a brewer that (probably) exports more than 80 per cent of its output

Carlsberg sees China as top market

Even so, Carlsberg is not currently the leading foreign brand in China. That position, it concedes, probably belongs to San Miguel of the Philippines – though, Mr Iuul says, "there is very little information available."

Besides China, Carlsberg has big breweries in Vietnam and Thailand, and has spent the past five years trying to develop its business in Russia. Its chief advantage lies in its strength as an international brand: and in this respect, Mr Iuul says, its competition is "Heineken again and again". The big US brewers, owners of such domestically dominant brands as Budwaiser and Miller, seem to have made little impact so far. However, given the record of US global brands Marlboro and Coca-Cola, it would be unwise to assume this state of affairs will last for ever. As Mr Iuul remarks of the US brewers, "they certainly have the financial muscle".

To an extent, all this depends on how far brands manage to establish themselves as a global force in brewing, as they have in spirits or soft drinks. "In some mature markets," Mr Iuul says, "you are getting cheap own-label products moving in. But in growing markets, you have a lot of people with social aspirations. And when it comes to beer, most of the [international] brands reflect higher quality as well."


Michael Iuul: "There will be a shake-out in Europe"

But bowever global the future may prove, Carlsberg's immediate outlook is dominated by Europe, where it still sells around 85 per cent of its volume. This might suggest a kind of race between a big declining European business and a small but fast-growing overseas one. Mr Iuul does not accept this. "The market is not losing ground in some of the traditional wine-growing Mediterranean countries," he says. "Germany is a battlefield, and the UK and France have certainly had difficult years during the recession. Over the next few years, I see Europe as stagnant, but not declining."

The UK market, however, is of central importance to Carlsberg's fortunes in the near term. In 1992, it put its UK operations into a 50-50 joint venture with Allied-Lyons, the UK brewer. The venture, known as Carlsberg Tetley, is one of the biggest brewers in the UK and, according to outside estimates, Carlsberg's half share contributes close to half the group's worldwide profits.

This makes it all the more important that the two partners should see eye to eye. Allied recently went out of its way to reaffirm its commitment to the venture. But in the longer term, its ambitions are in the global business of wines and spirits, not the domestic business of UK beer. Carlsberg, Allied hints, is in the long run the more natural owner of the business.

Mr Iuul shrugs this off. "I don't know", he says. "You can have a married couple where one says 'I want a divorce' and the other etill sees the marriage as happy. We are quite happy with the partnership. It had its problems at the outset, but any merger has. And Allied say they are committed and confident."

That apart, the European market is far from stable. "There will be a shake-out in Europe," Mr Iuul says. "There is strong price competition in many markets, which will lead to a shake-out in production costs. Competition has also been promoted by concentration in the retail sector. A 'cheapie' sector has established itself and gained some volume, and it won't go away."

Similarly, he argues, the UK market is in transition. "There is no doubt that brewing in the UK has to be rationalised. The cost per barrel being produced is in many cases higher than on the Continent. With further harmonisation of beer duty, the costs have to come closer together."

The obvious question is how far Carlsberg wants to play a part in that process. Suppose that, as some believe, the UK market – probably the most important to Carlsberg in the world – is doomed ultimately to end up a brewing duopoly along American or Australian lines. Does Carlsberg want to be a player?

Mr Iuul does not answer the question directly. The duopoly hypothesis, be says, is a long way off. "In general terms, we like to spread our risk. But the UK market is one we feel comfortable with. We've been there a long time. When you go into a country like Vietnam, your knowledge of local conditions is bound to be more superficial."

To venture a paraphrase: Carlsberg is looking to a brave new world, but it cannot afford to turn its back on the old world either.


MD Foods' distribution lorry

Profile: MD FOODS

The target is Europe

MD Foods, the large Danish dairy co-operative, is delivering milk to British doorsteps as part of a move to stretch its reach abroad. Through its corporate arm, MD Foods International, the co-op has bought into the UK market in advance of the coming liberalisation of milk production.

Mr Finn Christiansen, executive director of MD Foods, explains its international ambitions: "We'd invested very heavily in the rationalisation of the Danish dairy industry at tbe end of the 1980s and had got to the point where growth was stagnating."

Recognising tha need to expand abroad, the co-op thought it could not ask its 10,600 farmers to put up the cash. "Emotionally, it's very difficult to get farmers to understand that we would be going to other countries and processing other producers' milk."

Four years ago, the co-op set up MD Foods International in which it owns a 52 per cent share, with the rest of the capital supplied by institutional investors. The Danisb Dairy Federation, which represents dairy companies, contributed some overseas assets and the Danisb Dairy Suppliers, a co-op which provides equipment to the industry, put up DKr100m (£10.3m).

Mr Christiansen stresses that MD Foods has targeted Europe as an area of primary interest since the company believes it will face restrictions on exports of dairy products to third countries as a result of the Gatt settlement. In 1990, the company began its acquisition route into the UK and it is also looking at moving into Germany.

The export trade is vital to Danish dairy farmers, who produce three times their domestic requirements. Tbe UK, restricted by EU milk quotas to output covering only 85 per cent of its milk needs, is seen as an extremely important prize by overseas suppliers.

MD has spent £150m in the UK in the past four years, gaining a 10 per cent share of the UK milk market. "The liberalisation of the market will present good opportunities for us to work closely with farmers. That comes naturally to us as that's what we do in Denmark." Mr Christiansen explains. The opening up of the £3bn UK milk market will leave dairies to buy their supplies directly from farmers if they wish.

MD Foods controls 81 per cent of the milk output in Denmark – 70 per cent directly and the rest in co-operation with Klover, another dairy group.


Finn Christiansen: sees opportunities in UK milk market

Milk production in Denmark has traditionally been quite fragmented with the average producer owning just 40 cows, but growing cost pressures are forcing dairy farmars to expand. Last year, the number of milk producers fell from 17,200 to 15,000 with the remaining farmers increasing in size. This is a trend that is likely to continue.

Mr Christiansen believes tha whole of the EU dairy market is becoming more competitive as a result of the Gatt settlement. In the run-up to the implementation of the Gatt deal next July, dairies are positioning themselves on tbe European market and buying market sbare at almost any price.

In April, MD secured an additional DKr50m to its annual investment budget of DKr500m specifically to invest in facilities for making products aimed at the EU market. The extra funds will probably be spent on producing mozzarella and other cheeses for the German market.

The big impact of the Gatt deal could come on the cheese markat, Mr Christiansen believes. Cuts must be made in subsidised exports of cheese to countries outside the EU – this will involve reducing subsidised exports to 305,000 tonnes by the year 2000.

At the same time, the EU must give access to its internal market to third countries. Mr Christiansen reckons the combination of these two measures will mean the EU market must absorb an additional 280,000 tonnes of cheese by 2000. "Prices are already being equeezed as people are trying to position themselves in the market in anticipation of the export cuts," he says.

MD Foods is also looking to increase its position in the European market for higher-value products as a way of securing market share under the rigours of Gatt. Mr Christiansen is keen to build on the success of its Lurpak butter brand in the UK and, since the butter market is declining, substitute cheese and dairy products.

A new cheese spread, which was launched in the UK last year, has not taken off because Mr Christiansen acknowledges that it was placed wrongly in the market and is too expensive. "We need to do more research into the type of products that will fit well into the UK," he says.

Its new Gaio yoghurt will be introduced in the UK later this year in the hope that it will enjoy tbe levels of demand found in Denmark. Since last October, Gaio has captured a 15 per cent share of the Danisb

Continued on next page

Deborah Hargreaves on how Gatt has affected Danish Crown, the country's largest pork company

Export trade is life's blood of pig co-op

Danish Crown, Denmark's largest pork company, has already started to feel the effects of the latest General Agreement on Tariffs and Trade deal. This year, the company has exported significant quantities of meat to Korea for the first time in its history. "It surprised us – we didn't expect it to happen so quickly," says Mr Kjeld Johannesen, company president. "Korea was a closed market for us."

European exports of pork – mainly frozen belly and collar – reached around 6,000 tonnes in the first quarter – with Denmark providing the lion's share. Mr Johannesen believes sales to Korea could increase to as much as 20,000 tonnes by the end of the year.

The opening up of new markets overseas is of vital interest to this huge pig co-operative since the export trade is its life's blood. In the 1992-1993 financial year to the end of October, 85 per cent of Danish Crown's DKr9.2bn turnover came from its export business and a third of sales were made outside the European Union. Its overseas sales make up 12 per cent of all Denmark's agricultural exports.

"In general, the export market is a question of survival for Denmark because we produce many times our own needs," says Mr Johannesen.

One of the strength's of Danish Crown's marketing efforts overseas is its strong focus on quality products. "The consumer's focus on food safety is very important and that's why we like to control production from breeding to the end-user," he stresses.

Danish Crown is able to exert an influence on pig production through its co-operative set-up. The company has 15,000 farmers as members, all of whom receive a share in profits at the end of the year. Farmers also shape company policy by electing representatives to an advisory committee which comprises 225 producers and 22 staff. That committee elects 12 members to the Danish Crown board of directors.

The co-operstive set-up commands considerahle loyalty from farmers who see it carving a market for their produce in a way that would be impossible for individual producers. While some farmers are tempted to sell to private operators as these often offer a higher price, they must leave the co-operative to do so.

"If someone is selling privately while still in the co-operative, he is spoiling the company for a quick profit and I will make him stop or he must leave," says Mr Niels Rovsing, a pig farmer who is a representative on the Danish Crown board.

Farmers are currently feeling the pinch from low pig prices in Denmark, where as in the UK, pork profits are depressed by overcapacity. Pig prices fell from DKr13.40 per kg two years ago to DKr8.60 per kg in January to March this year, pushing some producers out of business. "It has been very tough," said Mr Rovsing, who estimates that about one pig farmer in 20 went out of business.

Prices are creeping back again now with the onset of the barbecue season and the market has reached DKr9.80 a kg. But Mr Rovsing stresses that, even though prices are low, at least farmers have a steady outlet for their pigs which the co-operative must always take even if it sees little demand.

Danish merchandise exports

1992 figures in DKr bn

Agriculture*	40.9
of which to non-EU countries	16.7
Meat	23.3
of which, pigmeat	16.7
Dairy products	7.4
of which, cheese	4.5
CAP restitution payments	5.4
Total	246.0

*Excluding CAP restitution payments Source: Agricultural Council, Copenhagen

The decline in pig prices across Europe, which produces around 5 per cent more animals than it consumes, highlights the importance of Danish Crown's export sales outside the EU. The company delivers 11 per cent of its export sales to the Japanese market, but the high value of those sales means Japan represents 21 per cent of the value of its exports.

Thosa lucrative markets could be threatened hy expansion of the US pig herd, however, and increasing competition resulting from the Gatt deal. "It is very important that wa are aware of very tight competition from the US," says Mr Johannesen.

Danish Crown's biggest markets still remain within the EU with Germany overtaking the UK for the first time last year as the most important destination. Germany took 16 per cent of the company's exports last year with 13 per cent going to Britain.

Denmark's efforts to market its agricultural products overseas have been very successful, aided hy the homogenous domestic set-up which sees large co-operatives controlling most of the output.

Danish Crown is part of a larger pork co-operative which sets prices to farmers and produces a joint marketing campaign. The Dansk Slagterie, to which Danish Crown belongs, is made up of five smaller co-operatives which batween them slaughter 96 per cent of the nation's pigs.

Danish Crown uses its high standards of productioo and the quality of its meat to differentiate itself from run-of-mill producers in other countries. This gives it a particularly important edge in the Japanese and Asian market.

The company has over 100 veterinary inspectors who regularly check on farmers' pig herds. It insists that regular disease checks are made nn pigs and that all feed is tested for salmonella before the animals eat it. "The co-operative makes it easy to influence in a short time what is being produced by the farmer," says Mr Johannesen.

Along with the demand from consumers for "clean" prodncts and calls for free-range pigs, particularly from the UK market, Mr Johannesen sees a move towards more old-fashioned products with a traditional taste. Danish Crown has worked with some supermarkets to produce the Mester Porker range of pigs which have slightly more fat than today's lean animals; they are larger and are hung for longer to give them more flavour.

At the opposite end of the scale, Danish Crown has introduced its Green Butcher range of meats and salad products which contain less than 3 per cent fat. This range currently represents 2 per cent of sales in Denmark and is sold overseas on a franchise basis. The company has recently run a large advertising campaign for tha products in the hope that it will capture 5 per cent of the market. It is now working on a fat-reduced salami, since salami products are widaly eaten in Denmark.

Formed four years ago when three co-operatives handed together, Danish Crown has managed to cut its costs by 10 to 15 per cent in the past two years. The company sees a tough period ahead with increasing competition in markets outside Europe from the US. "It is important for us to stay in front on standards and keep in touch with our customers' demands," says Mr Johannesen. "That's hnw we will compete."

Profile: CHRISTIAN HANSEN

How rennet led to biotechnology

Given Denmark's long history in the world food industry, one might expect its food companies to have reached a mature old age. A striking exception to this is the Christian Hansen Groop, which supplies food ingredients to multinational giants such as Nestlé, Kraft, General Foods and BSN.

Christian Hansen was founded as long ago as 1874, specialising in the manufacture of rennet, the cheese ingredient used to clot milk and give the cheese its flavour. It is still the world's higgest rennet supplier, with ahout 20-25 per cent of the world market. The world cheese market is scarcely growing: however, that did not stop the company increasing profits last year hy 30 per cent to DKr181m (£18.65m) before tax, and by 36 per cent the year before.

With sales of around DKr1.5ho (£150m), Christian Hansen is scarcely a giant. Neither is it a financial minnow; being heavily involved in the glamorous husiness of hiotechnology, it is highly rated by the stock market and its market value stands at around DKr2.5ho (£250m).

The involvement in biotechnology is again something of a Danish speciality. But as Mr Poul Hansen, the company president, remarks, the term can be confusing. It is commonly taken to refer to genetic engineering, in which Hansen is involved to some extent. But, Mr Hansen says, the company's origins in the dairy industry mean it has been involved in biotechnology from the outset: in enzymes and bacterial cultures, which exist in nature hut which the company hegan hy producing in pure standardised form.

The devalopmeot can be illustrated by reference to rennet, which made up some 90 per cent of the company's sales as receotly as 20 years ago. Until the 1970s, the company produced the natural enzyme from calves' stomachs. By the mid-1970s it was producing microhial rennet, derived from fungi or bacteria and qualifying for use in the growing market for vegetarian cheese. Then, some five years ago, it began producing genetic rennet, made by replicating the animal geoe hut still qualifying as vegetarian in, for instance, the UK market.

In genetic rennet, it competes with Pfizer of the US and Gist-Brocades of Holland, both much larger than itself. However, this does oot bother the company's executives unduly. The policy, Mr Hansen says, is to operate in niche markets, and to be hig in them. Historically, the food ingredients industry around the world coosisted of small, privately owned companies in each market. There are still a few left, Mr Hansen says, "but we are ooe of the few which have stayed independent."

Besides Pfizer and Gist-Brocades, other giants of the pharmaceuticals business have hought their way into the industry, such as Rhône-Poulenc of France. But Hansen, too, has acquired some 15 smaller companies over the years. Plainly, it is an industry in which size means something.

"The very big multinational food companies," says Mr Vagn Dinesen, vice-presideot, "need people of a certain size as a matter of reliability. The concentration of the food industry hrings a corresponding coocentration in their suppliers. We follow our customers around the world, and our philosophy is to service the customer at close range. It's an expensiva way of selling, but it's necessary for us."

Take, for instance, natural food colourings, another Hansen speciality. A certain red colouring, derived from paprika, is used in pepperoni sausage. "We buy hundreds of tons of red peppers a year, from Spain, Brazil and Africa," Mr Dinesen says. "Suppose a big American pizza chain decides it wants to use our colouring in the pepperoni on its pizzas. When head office has decided that, it spreads throughout the world."

Oddly enough, the company's production is less scattered geographically than it used to be. "Originally," Mr Hansen says, "we put production in almost every market, since transportation of rennet was a problem. Now we're cutting back: we have six rennet plants worldwide – three in Europe, two in South America and one in Australia."

In colours, Hansen oow has plants in the UK, Brazil, Spain and Argeotina, hesides Denmark. Some of its foreign ventures have a distinctly exotic tonch. Receotly, it has started up a plantation producing annatto, a bush whose seeds have an orange-yellow colouring that is used in hutter, mayonnaise, cheese and margarine, on the estuary of the Amazoo in oorthern Brazil.

"Part of our philosophy," says Mr Hanseo, "is to help industrialise food productioo around the world. In Denmark or the UK, food is produced in big, modern factories. In the Far East, it is typically made in households. Our philosophy is to help hring food production to industrial scale, using natural ingredients."

Tony Jackson

Profile: TULIP INTERNATIONAL

Cuts bring home the bacon

Fonr years ago, Tulip International, Denmark's large processed meat exporter, was losing DKr1m a day. Today, following a programme of severe rationalisation, the company is back in the hlack and looking to increase its markets overseas.

During that period, Tulip has been transformed from a collection of competing farmers' co-operatives into a limited company which is 44 per cent owned by Danish financial institutions. "These co-operatives had been competing for 50 years and we had to change from a slaughterhouse culture to develop marketing and sdvertising strategy," explains Mr Flemming Lindelov, group managing director.

Tulip was formed in 1990 by the merger of the processed meat divisions of three slaughterhouses and Danepak, a Danish-owned UK bacon company. The slaughterhouses, which have since completed their own merger, still own a 56 per cent stake in the company. A group of bankers injected DKr625m into the company to enable it to rationalise production capacity.

This meant closing four factories to concentrate production io three ceotres. The restructuring iovolved a 34 per cent cut in the workforce from 4,039 employees in 1990 to 2,728 last year, while the company continnes to produce the same amount of processed meat: 150,000 tonnes a year.

The rationalisation cost roughly DKr600m, with DKr400m being spent on closing facilities and boosting production capacity at nther plants to take up the output. The company has now managed to turn a loss of DKr270m in the 1991-1992 financial year ending in October to a net profit of DKr151m in the last financial year.

Tulip will continne to invest in efficiency improvements hy spending DKr123m this year and DKr140m in 1995 nn equipment for increasing productivity.

"We've dona all yon can read in management books by turning ourselves into a company with high voluma and low costs; now we must concentrate on being customer and market-led," Mr Lindelov says.

Tulip has put a lot of effort into product development which is vital for its growing export trade. Abont 95 per cent of its production is exported and the company has slicing, packaging and processing plants in the UK and Germany.

Tulip receives 37 per cent of its DKr5bn turnover from the UK market where it has 1,200 employees. Around 35 per cent of its sales come from the rest of Europe and 11 per cent from the US.

It is a leading supplier of bacon and ham products to Marks and Spencer, the UK retail group, for which it manufactures 30 to 40 new products a year. "Marks and Spencer is really keen oo new products; for the rest of our markets we bring out 10 to 15 new products," Mr Lindelov explains. The company has 15 employees working on prodnct innovation in the UK and 15 in Denmark.

It is looking to Russia as a hig new export market where the company is supplying canned ham. Sales in Russia now represent DKr250m and Mr Lindelov is confident this level could dnuble within a couple of years. Tulip recently opened its own warehouse in Russia and hopes to start a sales office in Moscow.

Its canned meat divisinn also plans to increase sales in eastern Europe and central America. At the same time, Tulip is looking to boost its market share in the German and Scandinavian markets where tastes are similar and the same products can be sold.

However, last year the company drew back from the US market where it was suffering from currency fluctuations and halved its market share in the US. It is trying to differentiate itself in the US market by selling higher valne, low-fat ham products to delicatessen shops.

Mr Lindelov has tried to foster a culture where the company is responsive to the needs of its customers and employees remain flexible. For example, the head of Tulip's ham division, who was in charge of 600 people with a turnover of DKr1.1bn, has now been moved to head a sales office in Germany with 50 employees. "We want to try and show that a product development manager is as important as leading a sales division," Mr Lindelov explains.

Deborah Hargreaves

MD targets Europe

Continued from previous page

yoghurt market – *MD* Foods had to cancel television advertisements several weeks after the launch as the company did not have enough production capacity to satisfy demand.

Gaio is hased on a recipe found in a remote part of the Ukraine where villagers traditionally live to extremely old ages. MD Foods is not allowed to make any health claims for its product, but it has captured the imagination of many consumers.

Eventually, MD Foods hopes to sell products such as these outside the EU, particularly in the growing Asian market, hut it is a slow process. Mr Christiansen says he has been developing the Japanese market for 35 years to which MD Foods sends mozzarella and cream cheese. Asia accounts for 9 per cent of MD's export sales.

"Gradually, the Japanese are eating more pizza and cheesecake, but they still consume very small amounts of dairy products compared with the west," he said.

The European dairy industry is concerned that some of these markets could be jeopardised hy the cuts in subsidised exports required by Gatt. For this reason, the Danish Dairy Federation has suggested to the European Commission that some farmers could produce a little extra milk at world prices.

This proposal is still in its very early stages and no final decisions have been mada, but it would get round the problem of maintaining export markets. "If we don't find a way to produce more without subsidy, we will see that in six years at the end of the current Gatt deal, we will have lost a hig part of the world market," says Mr Christiansen.

Some 55 per cent of MD Foods' export sales come from outside the EU. Mr Christiansen is hoping that he can hold ooto this in spite of Gatt.

Deborah Hargreaves

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Intellectual rights given precedence

EUROPEAN COURT

Where intellectual property rights conflict with the interests of free competition, intellectual property rights should take precedence, according to a preliminary opinion of the European Court of Justice.

The interests of undistorted competition should prevail only where the exercise of a given intellectual property right was not necessary to fulfil the essential function of that right, according to the opinion of Advocate General Gulmann in the appeal in the Magill TV Guide cases.

The cases concerned attempts by Magill to publish a comprehensive weekly television guide. Copyright in TV scheduling information belonged to the BBC, Independent Television Publications and the Irish broadcaster, Radio Telefis Eireann, all of which published guides of their own listings. The companies licensed daily and weekend comprehensive guides.

Magill complained to the European Commission. The Commission found the three companies had abused their individual dominant positions by preventing the publication and sale of comprehensive weekly TV guides in Ireland and Northern Ireland. It ordered them to supply each other and third parties with their individual weekly listings – that is compulsory licensing. The companies appealed to the Court of First Instance, which found in the Commission's favour. They then appealed to the ECJ.

Before dealing with the points raised by the parties, Advocate General Gulmann made some remarks on the special nature of copyright. He said by their nature copyright laws give copyright owners the right to restrict competition. He also noted that the copyright laws of the member states generally balance the interests of copyright owners and undistorted competition by restricting the exclusive rights of copyright owners in certain ways, such as giving others the right to make certain use of copyright material on payment of a royalty.

He said that, although such a balancing of interests did not preclude further limitations on the copyright owners' exclusive rights on the basis of the EC Treaty's competition rules, it did mean that caution should be exercised.

Six grounds of appeal were lodged in total by the parties and interveners. The only ground on which the advocate-general thought that the appellants should succeed related to the concept of abuse of a dominant position.

The appellants claimed the CFI had misconstrued this concept and its judgments should thus be annulled. The CFI had upheld the Commission's finding that the refusal by the parties to grant licences constituted an abuse of a dominant position.

The central issue was whether, and if so under what circumstances, a refusal to grant a copyright licence could constitute an abuse of a dominant position.

It was agreed a refusal to grant licences in itself did not constitute an abuse. But there would be occasions where such a refusal had been exercised under such special circumstances that it created an unacceptable obstacle to undistorted competition and therefore the copyright owners' rights should be restricted by EC competition rules. But, the advocate general stressed that, given that compulsory licensing were a serious interference in copyright, there had to be substantial and weighty competition grounds if the right to refuse copyright licences were to be regarded as unnecessary to fulfil the essential function of the copyright.

He considered some of the CFI's findings on this point were flawed and not sufficient to be considered special circumstances. For example, the CFI found the copyright owners' rights were capable of being restricted because their refusal to grant licences prevented the emergence on the market of a competing new product.

But the advocate general considered such action could be taken only where a refusal to grant a licence prevented a non-competing product's emergence. Where a competing product was restricted, copyright owners' interests should prevail over those of consumers.

Joined cases: C-241/91P and C-242/91P: RTE and Independent Television Publications, Opinion, June 1 1994.

BRICK COURT CHAMBERS, BRUSSELS

Headhunting season closed

Robert Rice on a US injunction that limits poaching of a rival's staff

In April, Arthur D Little, the Massachusetts-based management and technology consultants, obtained an injunction from a California Superior Court judge banning Electronic Data Systems, an information-services subsidiary of General Motors, from soliciting its employees anywhere in the world.

The move followed a lawsuit filed by Little alleging that EDS had unfairly hired away almost the entire staff of Little's aerospace consulting practice, resulting in a significant loss of business.

Tha sweeping nature of the injunction surprised corporate America. Although companies frequently threaten legal action when one competitor poaches another's talent, cases rarely reach the courts. Broad prohibitions on soliciting employees are rare. The 13th amendment of the US Constitution guarantees citizens the right to work for any employer they choose if that employer wants to employ them.

EDS is considering an appeal. But, if the injunction is upheld on appeal, do US companies need to reconsider their hiring policies?

EDS denies it has done anything wrong. Mr Mark Fox, an EDS spokesman, says: "We believe the suit is without merit and the injunction is without merit."

The lawsuit should be put into perspective, he says. EDS has built up a management consultancy of 1,100 people from scratch in two years. Of that number, 30 worked in the aerospace field and, of those 30, eight were former Little employees.

"We're building something very exciting, of which aerospace is a key area. People are attracted to that and are keen to work for us. But we've done nothing to twist their arms or use illegal means to bring them in," he says.

So why did Little bring the action? Mr Sam Gallo, the company's general counsel explains that the poaching of almost its entire aerospace consultancy was an unprecedented event. "Over the years many people have moved in and out of the company, but we've never had a situation where an entire practice area was essentially raided from the firm," he says.

When Little subsequently discovered that EDS was attempting the sama thing with its metal industries consulting practice, it felt it had little choice but to take legal action.

Mr Gallo says the suit has three parts. Little is suing EDS for unfair competition under the California Business and Professions Code; theft of trade secrets; and for inducing Little employees to breach fiduciary duties to the company.

It is also suing Mr Charles D Scales, former head of the aerospace consulting practice, for breach of fiduciary duty and contractual obligations. Little alleges that, while still working for the company but after being hired by EDS, Mr Scales used his influence and position as an officer of the company to persuade colleagues to move to EDS.

Finally, Little is suing Heidrick & Struggles, an executive recruitment firm. Little alleges the firm acted improperly by helping EDS recruit members of its aerospace group while Little itself was a client of the headhunters. Heidrick & Struggles denies it acted improperly.

Having filed the lawsuit, Little then sought a worldwide injunction to preserve the status quo until trial of the action. Its intention was not to prevent any Little employees from applying for jobs at EDS but to stop EDS from approaching any more Little staff around the world.

Mr Gallo says that, to get the injunction, Little had to satisfy the judge it was more likely than not to win the lawsuit. "He must have been satisfied we had a strong case," he added.

Does the sweeping nature of the protection gained by Little have broader implications for US businesses? Mr Jeffrey Kingston, a partner of San Francisco-based Brobeck Phleger & Harrison, says there are several dimensions to the case.

At one level the lawsuit seemed a straightforward Bancroft-Whitney v Glen claim – the 1960s case which established the principle under California law that it is a civil wrong, or tort, to conduct a raid designed to cripple a competitor by luring away a group of its employees.

"It's fairly difficult for a plaintiff to prove but, if [the raid] delivers a crippling blow, then it's a tort for which damages are payable," says Mr Kingston.

The action against Mr Scales was more commonplace, he says. If a manager, before leaving a company, induces employees under his supervision to leave with him, it is a breach of his fiduciary duty of loyalty to the company for which he could be held liable in damages.

Few of these cases reach the courts, however, because where only one or two employees have been lured away it is hard to quantify damages. Where, on the other hand, a large group of employees has been lured away, as is alleged in this case, such an action becomes more viable as the damages can be more easily quantified.

In the Little case the hiring away of almost an entire practice group is said to have crippled Little's $4m aerospace consultancy.

The case was also about theft of trade secrets, says Mr Kingston. The allegation is that EDS misappropriated Little's trade secrets by using Mr Scales' inside knowledge about employees at Little and their terms and conditions of employment to lure them away. Such knowledge would not normally be available to outside headhunters.

Overlaying all this, however, is the allegation that the EDS action amounted to unfair competition in breach of the California Business and Professions Code.

According to Mr Howard Fine, a partner in the San Francisco office of Baker & McKenzie, if the Little claim is upheld by the courts it would represent a novel application of the unfair competition law.

By granting the injunction the court appeared to be saying that, where a company undertakes a targetted business programme to undermine a competitor by picking out its more gifted employees, that would amount to unfair competition.

The unfair competition law could not be used to block EDS from soliciting one or two employees, he adds. To succeed when the action comes to trial Little will have to show a concerted plan by EDS to damage its aerospace consultancy. That may prove difficult, he says, unless it can produce evidence such as internal EDS memos planning to target Little employees.

Unfair competition cases normally involve allegations of unfair business practices and other restraints on competition, Mr Fine says. If the Little case goes to the California Court of Appeals it could represent an important development in the law.

But most lawyers believe the case will be settled before going to trial. Mr Fine says the likely course of events is for the two sides to reach an agreement that the defendant company will not solicit the plaintiff's employees for a certain period of time. Provided it does not restrict the freedom of individual employees to work for whomever they choose, such an agreement could provide the basis of an amicable settlement, he says.

Mr Fox says EDS are anxious to move on and put the dispute behind them. Mr Gallo says Little are "not averse to settling it" on the right terms. Clearly, a settlement would make commercial sense for both EDS and Little. But if they do settle, the uncertainty surrounding this area of the law will continue, and that may be in nobody's interests.

LEGAL BRIEFS

Survey finds UK conveyancing best in Europe

International property investors believe the UK has a better legal system for property transactions than other European countries. They also prefer the UK's tax structure, according to a survey conducted by Gallup for international property consultants Richard Ellis.

The survey of 68 institutions – which included Japanese life companies, French insurers, German open funds, Dutch pension funds, Hong Kong entrepreneurs and UK institutional investors – found that half of those questioned thought the UK's conveyancing system was preferable to others in Europe. Only 16 per cent thought it was worse. On the tax system, 44 per cent thought the UK was better than its European rivals.

UK chartered surveyors were also rated more highly than their European counterparts by 71 per cent of those questioned. But more than one-third of those surveyed thought London's status as a world financial centre had declined in the past five years and 26 per cent believe it will decline further.

Mediation costs

The Centre for Public Resources, the New York-based alternative dispute resolution organisation, has announced that business disputes involving $1.7bn were resolved successfully last year through the use of mediation and other forms of dispute resolution. CPR says 150 of the companies involved in mediation estimated direct legal cost savings of $37.5m, an average of $250,000 per company. Disputes resolved in 1993 by CPR mediators included anti-trust, bankruptcy, construction, employment, energy, environment, intellectual property, libel, professional fees and asset transfers.

Comrades at arms

William Packer reviews the work of Rex Whistler, the Welsh Guard and artist hero who died in Normandy, 1944

Rex Whistler was never a war artist in the now conventional sense: he wae, rather, an artist who chose to be a soldier and went to war. He had tried for a commission in the Territorials after Munich, and volunteered again when war was declared in September 1939 although, at 35, well over-age for call-up in the normal way. "I have a strong feeling", he told a friend, Kenneth Rae, "that if anyone has to go and fight . . . it is precisely people of my age, and not the young boys."

By then no new commissions were being given except through the ranks, with the Brigade of Guards the sole exception. Colonel Leatham of the Welsh Guards put him on the waiting list, his commission finally came through in May 1940 and be joined his unit for training in June. Thus as a troop commander, 3 Squadron, 2nd (Armoured Reconnaissance) Battalion The Welsh Guards, Lieutenant R.J. Whistler at last went to the war, landing with his troop on Gold Beach on June 30, 1944, D-Day + 24.

On July 18 the battalion went into action for the first time, moving across Pegasus Bridge and so south to take part in Operation Goodwood, the planned breaking of the deadlock of the battle for Caen. That afternoon his tank came under fire while temporarily disabled by loose wire. Caught in the open as he organised his troop'e response, Whistler was killed outright by a mortar blast, the battalion's first casualty of the campaign. He was 39.

There is little doubt that had he been offered a commission as a war artist at the outset, he would have accepted it, but his name was the 750th to be considered by Kenneth Clark, whose committee'a decision it was, and by then it was far too late. In the four years of training and waiting between Dunkirk and D-Day, Whistler had become a true soldier, imbued ont just with his personal sense of duty as an army officer, but with the ethos of his regiment, and a guards regiment at that.

He had turned down camouflage work, and had been given every opportunity to apply for a job on the staff. He had friends quite literally at court, on one notable occasion being summoned, a mere subaltern still, "to dine with the King & Queen at Sandringham last Tuesday! And went there with my Col. & General & an officer or two from the Grenrs & Bde HQ . . . very informal and everyone in such good spirits." He could so easily and honourably have excused himself from active service but was adamant. "If you try to stop me", he told his squadron commander, "I shall kill myself."

It is easy to make a hero of a hero, especially so naturally modest and likeable a hero as Rex Whistler – "one of the most delightful men the Welsh Guards has ever carried on its roll . . ." said his commanding officer – and a reputation as an artist can so easily be elevated in proportion. The usefulness of this delightful and, in the end, poignant exhibition of Whistler'e war-time work is that it allows us to see it for what it is, through all the fuss of personality and circumstance.

As a painter he is not all that remarkable, uneven yet capable on occasion of great charm and even power in a particular image – the portrait of the battalion'e master cook, for example; a tiny Essex landscape painted the weekend he joined up; the officers' mess under canvas on Salisbury Plain; e self-portrait in his new uniform. He painted constantly, portrait studies of friends and fellow officers, genre scenes of military and domestic life, the gardens and interiors of the houses he visited on leave. There is a sense that in this time he was beginning to come to himself as a painter, and this body of work does stand as a particular record of the war on the home front.

But it is as e draughtsman and designer that Whistler shows himself as being truly remarkable. His pre-war reputation rested largely on his mural decorations for the restaurant at the Tate, executed in the 1920s, and on his work as an illustrator. Through the war such freelance work continned as military duty allowed, including a number of major commissions for stage and film design. But what is more interesting is the degree to which such activity was not independent of his life as a soldier at all, but part of its very fabric.

He was draughtsman and designer in his very nature, reacting spontaneously to every turn of the military life in terms of line and image. A diagram of the lay-out for kit inspection became an elegant and wryly instructive work of art. A suggestion to the colonel of easy improvements to the comforts of the mess became a lively before-and-after cartoon, after the manner of a Rowlandson. Who but Whistler would think to decorate the visitors' book of the travelling cinema, come to entertain the troops? Pastiche Old Masters for the now-refurbished mess? A battalion badge? A battalion Christmas card? Whistler was the man.

Much of the material for this show remains in private hands. A great deal more is in the collection of the Weish Guards, whicb evidently treasures his memory. We can see why.

Rex Whistler's War: The National Army Museum, Royal Hospital Road SW3, until September 18.

'The Master Cook': Sergeant-Cook J.W. Isaacs, c. 1941 by Rex Whistler

Theatre

A Doll's House

As if to reassure the sbades of those London tbeatre-goers shocked by *A Doll's House* in 1889, Chichester's Minerva Theatre has mounted a new production of this dissection of sexual non-communication that places Ibsen smack in the middle of old-fashioned melodrama. Tchaikovsky surging in the background, ominously dimming lights, an erring heroine who almost launches into e mad ecene: it might be *Lady Audley's Secret*. The director, Annie Castledine, did a full-blooded *Gaslight* et Greenwich; and a colleague at Cbichester wondered aloud whether a new last act for Ibsen would reveal that patronising husband Torvald had engineered the whole crisis to get rid of wife Nora and make off with ber old chum.

Jane Maud's unusually stroog Christine would make this understandahle. Poor Mrs Linde's hard luck story emerges with bleak melancboly that occasionally erupts into anger. Her reunion with Nora is competitive, defiant, as they prowl around each other catching up with the news like big cats marking out their territories.

Sharon Maughan's Nora is hampered by entering in a red dress on a minimal red-walled set that recalls Ingmar Bergman's *Hedda Gabler*. Like Hedda, or Ellida in *The Lady From The Sea*, Nora is looking for moral responsibility, the right to make ber own decisions, in the face of stifling masculine protectiveness. Delightedly identified from the Gold Blend TV commercial by a section of the audience, Ms Maughan cleverly suggests the bird in the gilded cage, the pampered plaything in a marriage whose cloying sweetness is disturbed only by tension over too many tooth-rotting macaroons.

The sexual side of the marriage is absent until the last act, when Peter McEnery's fantasising Torvald, inflamed by Nora'e dancing, reveals himself as the true Victorian paterfamilias: obviously vestly experienced with women of a different sort, reserving a mixture of worship and possessiveness for his wife. By this time the production's throbbingly theatrical mood has turned Torvald into a clown. "I don't want any melodramatics," declares Mr McEnery, who has evidently not noticed that the past 2½ bours have consisted of nothing else.

Christopher Hampton's 1971 version hardly helps with its hlend of Victorianisms ("Get on with you, you little minx!") and detached editorialism – a "terrible blow to his masculine self-esteem" is not the sort of over-eware phrase Nora would come out with; before Act Three anyway.

Initially the directioo makes Nora bounce between the chirpy and the bysterical, eoding Act Ooe frozeo into the dating mask of a sileot scream, a Norwegian national pastime to judge by the country's most famous painting. The performance is not only too lightweight; it makes Nora's final, rational declaratioo of independence totally implausible.

This is unfair oo Ms Maughan, who comes into her own with an earnest eagerness that makes the scene into a quietly controlled but murderous call to arms. Liabilities include an offstage ball that sounds as if the St Petersburg Philharmonic has moved in upstairs and an inert Krogstad (Nick Reding) of pure Norwegian wood. But the play's issues still reverberate uncomfortably: "Most young criminals usually have dishonest mothers," says the benign busband. Substitute unmarried for dishonest and we are back to basics – and concomitant attitudes – unchanged since Ibsen's day.

Martin Hoyle

Happy Days

What do we mean by stasis in drama? Winnie, the beroine of Samuel Beckett'e *Happy Days* is visually almost as immobile as any protagonist since Aeschylus's *Prometheus Bound*: embedded in a mound of earth – in Act One up to her waist, in Act Two up to ber neck. Nor does she progress psychologically. What one recalls most are the phrases on which she harps – "That is what I find so wonderful;" "Ah yes, great mercies;" "Another happy day" – time and again.

And yet this is not, for us, a static play. All Winnie's repetitions help us to know her better, and to lead us more intimately into the vast tragicomic situation which is larger than her. For *Happy Days* is a mortal's contemplations of the gradual diminuendo ending of life: "loss of spirits, lack of keeoness," loss of memory, of sexuality, of energy, of hope. Against which Winnie's repeated little optimisms, staving off despair, become heroic.

Beckett achieves this often by working on the most trivial scale. Winnie re-examines her toothbrush until, after whole minutes, ehe discerns all the legend "Fully guaranteed genuine pure hog's setae." Whereupon she remarks "That is what I find so wonderful, that ont e day goes by – to speak in the old style – hardly e day, without some addition to one's knowledge however trifling, the addition I mean, provided one takes the pains. And if for some strange reasons on further pains are possible, why then just close the eyes – and wait for the day to come – the happy day when flesh melts et so many degrees and the night of the moon has so many bundred hours . . . That is what I find so comforting when I lose heart and envy the brute beast."

So many of these phrases we have already beard from her lips, and will hear again, that the full impact of these sentences hardly hits us at the time. Yet it is the repetitions that matter most, for they represent Winnie's Canute-like efforts to defy the incoming waves of oblivion. I am, mind you, speaking here of *Happy Days* itself, and not of the specific performance it is currently receiving at the French Institute.

Angela Pleasance gives Winnie an accent so precisely filled with lower-middle-class English nuance, that it is is as if she took a Jane Clark view of Winnie. Her voice and face *condescend* to impersonate Winnie, tiptoeing quaintly below stairs for every separate inflection. Her director, the Frencb Simone Benmussa, may well be tone-deaf to the English class connotations of Pleasance's performance. But Benmussa must be aware of some of the extensive artifice employed by Pleasance, and by Peter Bayliss in the small role of Willie.

No doubt it is Benmussa wbo has encouraged Pleasance to speak the wbole play on a near-inaudible thread of voice. This sustained pianissimo would be daring and compelling were Pleasance suggesting a larger-souled Winnie. Not so, bowever. As Pleasance delivers it, *Happy Days* is simply the slow extinction of e what used to be called the soul of e bousemaid. The play, however, is so much larger and more enthralling that you can listeo to its words and imagine, so to speak, the play beyond this meagre performance. *Hoppy Days* remains one of the great plays of the century.

Alastair Macaulay

At the French Institute

Concerts in London

All admiration for Zimerman and the Nash

The Polish pianist Krystian Zimerman's packed recital at the Royal Festival Hall on Thursday night had a most unusual programme, at first sight bitty, consisting of a string of variation sets by improbably assorted composers, writes Paul Driver. However, his playing not only justified five of his six choices – sometimes making undistinguished music sound much better than it is – but nearly authenticated the sequence as an artistic whole.

That playing is utterly compelling: flawlessly virtuosic; muscular and suavely lyrical by turns; equally capable of the most limpid delicacies and most massive quasi-orchestral grandeur; and always informed by a questing, unorthodox musical intelligence, which was evident in the delightfully quirky programme notes he provided as well as in such astonishing performances as that of the opening item, his own (1973) transcription of Bach's Passacaglia and Fugue in C minor, BWV 582. I would never have thought that two hands on one piano could produce so detailed and convincing an impression of a full organ as this.

Cheekily, he followed the gigantism of this piece with a translucent miniature allegedly by the eight-year old Schubert, *Seven Easy Variations in G* receiving their British premiere, no less. There is nothing beyond elegant Mozartian simplicity in the writing, but Zimerman's formidable musicianship raised the expression e power or two. For the mature Mendelssohn's *Variations sérieuses* Op. 54 he restored some of the orchestral thunderousness of the Bach account, but making e point of not following the false Horowitz tradition and actually ending with thunder. His reading was otherwise as gloriously full of Horowitzian technical brilliance as you could wish. (Like Horowitz, Zimerman travels with his own wondrous instrument.)

After the interval we were plunged, a little unpreparedly, into the glittering hard nostalgia of Ravel's *Valses nobles et sentimentales*, among which Zimerman found several occasions for introspective lingering; and yet more abruptly into the modernist pointillism of Webern's Variations Op. 27, which was given a passionate and athletic despatch, Zimerman squaring up to the keyboard like a tennis player receiving service. His endpiece, the diffuse, immature *Variations on o Polish Theme*, Op. 10, by Szymaonwski, rather let the programme down, though lent moments of keen persuasiveness. Why not finisb with one of the dozens of piano variation sets that are masterpieces?

Critics may ont be the best-loved memhers of the music profession, writes John Allison, but one would oot have guessed that from the warmth of the eudience et the Wigmore Hall on Saturday: Felix Aprahamian was celebrating his 80th birthday, and a throng of his admirers combined with devotees of the Nash Ensemble to pack the hall, leaving standing room only at the back.

But then Aprahamian, who was number two on The Sunday Times for 41 years, is no ordinary critic. A legendary figure in British musical life, a friend of many composers and musicians, he was above all a champion of Frencb music in this country. He played a significant role in presenting the "Concerts de Musique Française" at the Wigmore during 1940s and early '50s.

The venue for Saturday'e celebration was thus as appropriate as the Nash Ensemble's programme, all French with the exception of the honorary-French Delius. One of the group's many strengths is its versatility, and this programme had variety and balance.

An evocative account of Ravel's Introduction and Allegro for harp, string quartet, flute and clarinet set the tone for the evening. Skaila Kanga was the consummate harp soloist. No less accomplished was the flautist Philippa Davies, who captured the contrasting moods of Roussel's *Joueurs de Flûte*. A shifting of stage furniture brought out strings, piano (Ian Brown, excellent) and the baritone François Le Roux for *Le Bonne Chanson*, Fauré's setting of nine Verlaine poems. Le Roux, e musicianly singer, was not at his most melliflonus: his tone seemed e little grey and colourless for music as luminous as this.

Christopher van Kannen was a warm soloist in Delius's Sonata for cello and piano, and brought shape to its long, musing lines. Debussy's ethereal Sonata for flute, viola and harp was dispatched with delicacy before we heard the evening's party piece: *Le Bal Masqué*, an appropriate choice since Poulenc was one of Aprahamian'e closest composer friends. Le Roux declaimed Max Jacob's verses with verve and the eight players discharged the cheeky score with zest. The Nash musicians are renowned communicators, and here they bubbled over, providing a rollicking end to an otherwise sober party.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

Muziektheater Tonight: Nederlands Dans Theater in a programme inspired by Dutch constructivist painter Piet Mondrian, with new choreographies by Jiri Kylian and Hans van Manen. Thurs, Sat, next Mon (in repertory till June 24): Riccardo Chailly conducts Lluis Pasqual's new Netherlands Opera production of Falstaff, with cast headed by Bruno Pratico (020-625 5455)
Concertgebouw Tonight: John Eliot Gardiner conducts semi-staged performance of Don Giovanni, with cast headed by Rodney Gilfry and Luba Orgonasova. Tomorrow, Thurs, Sat: Vassili Sinaiski conducts Netherlands Philharmonic Orchestra in works by Wagenaar, Mendelssohn and Tchaikovsky, with violin soloist Jaap van Zweden. Thurs (Kleine Zaal): Mitsuko Shirai, Tabea Zimmermann and Hartmut Höll in a programme inspired by Schubert's Winterreise. Fri: Yevgeny Svetlanov conducts Hague Philharmonic Orchestra in Miaskovsky, Franck and Ravel. Sun: Krystian Zimerman piano recital (24-hour information service 020-675 4411 ticket reservations 020-671 8345)
Beurs van Berlage Fri: Hans Zender conducts Klangforum Wien in his arrangement of Winterreise, with tenor Hans-Peter Blochwitz. Sat: Alexandru Lascae conducts Bellitoni Symphony Orchestra and Chorus in Mahler's Second Symphony. Sun: Mark Foster conducts Radio Chamber Orchestra in works by Chinese composers (020-627 0466)
● Many of the above events form part of this year'e **Holland Festival**, which continues till June 30 with highlights including Peter Brook'e The Man Who, rare operas by Chausson and Max Brand, and performances tomorrow and Thurs at Stadsshouwburg of Peter Zadek'a Berliner Ensemble production of Shakespeare'e Antony and Cleopatra, starring Eva Mattes and Bernhard Minetti. For information and tickets, contact Netherlands Reservations Centre: tel 070-320 2500 fax 070-320 2611.

BASLE

The highlight of this month'a programme at the Stadttheater is Herbert Wernicke'e new production of Handel'e Theodora, sung in English by a cast headed by Sonia Theodoridou, Hedwig Fassbender and Christoph Homberger. The opening night is Sat, with further performances on June 15, 18, 21, 25 and 26. Repertory also includes Donizetti's La Favorite and Sleeping Beauty (061-295 1133)

BRUSSELS

Monnaie Tomorrow: Antonio Pappano conducts first night of Karl-Ernst and Ursel Herrmann'e production of La traviata, with cast headed by Elzbieta Szmytka, Laurence Dale and Victor Ledbetter. Repeated June 11, 14, 17, 21, 23, 26 and 29 (02-218 1211)
Palais des Beaux Arts Fri: Krystian Zimerman piano recital. Sat: Marc Soustrot conducts Belgian National Orchestra and Brussels Choral Society in works by Fauré, Chausson and Walton (02-507 8200)

GENEVA

A new production of Lohengrin opens at the Grand Théâtre on Fri, conducted by Christian Thielemann, staged by Robert Carsen and designed by Paul Steinberg, with a cast headed by Thomas Moser, Hartmut Welker, Eva Johansson and Marilyn Zschau. Repeated June 14, 17, 20, 24, 27, 30 (022-311 2311)

THE HAGUE

AT&T Danstheater Tomorrow, Thurs, Fri, Sat: Nederlands Dans Theater presents a programme inspired by Dutch constructivist painter Piet Mondrian, with new choreographies by Jiri Kylian and Hans van Manen (070-360 4930)
Dr Anton Philipszaal Sun afternoon: Alexandru Lascae conducts Bellitoni Symphony Orchestra and Chorus in Mahler'e Second Symphony (070-360 9810)

ISTANBUL

The annual arts festival opens next week and runs till July 12. The opening concerts on June 15 and 16 are given by the Dresden Philharmonic Orchestra conducted by Michel Plasson, with piano soloist Bruno Leonardo Gelber and soprano Hildegard Behrens. Other visitors include the BBC Symphony Orchestra, the Brodsky Quartet, Shura Cherkassky, Julian Bream, James Galway and Nicolai Gedda. The native tradition is represented by the Turkmenistan and Bashkirian Folk Dance Groups, the Ayangil Turkish Music Orchestra and Chorus, and the Historical Music Ensemble of Istanbul. Information: Istanbul Foundation for Culture and Arts, Yildiz-Besiktas, 80746 Istanbul, Turkey, tel 212-258 3212 fax 212-261 8823. Ticket reservations: Ataturk Culture Centre tel 212-227 7509.

VIENNA

Staatsoper Tonight, next Mon: Cardillac, with cast headed by Franz Grundheber. Tomorrow: Salome with Mara Zampieri and Simon Estes. Thurs, Sat: Don Carlo with Luis Lima, Vladimir Chernov and Aprile Millo. Fri, next Tues: La boheme with Neil Shicoff. Sun: Die Walküre with James Morris, Waltraud Meier and Jane Eaglen. June 21, 24, 28: Muti conducts Le nozze di Figaro. June 27, 30: Tosca with Pavarotti (51444 2955)
Musikverein Tonight: Alfred Brendel plays Beethoven piano sonatas. Tonight (Brahms Saal): Cecilia Bartoli song recital. Tomorrow: Mirella Freni and Nicolai Ghiaurov sing Italian and Russian opera arias with Tonkünstler Orchestra. Thurs: Trevor Pinnock directs The English Concert in Mozart and Haydn, with mezzo Anne Sofia von Otter. Fri evening, Sat afternoon, Sun morning: Seiji Ozawa conducts Vienna Philharmonic Orchestra in Nielsen, Stravinsky and Strauss. Fri (Brahms Saal): Oleg Maisenberg piano recital. Sun: Georges Prêtre conducts Mendelssohn'a Elijah (505 8190)
Konzerthaus Tomorrow: Zoltan Kocsis piano recital. Fri: Heinrich Schiff is conductor and cello soloist with the Orchestra of the Vienna Musikhochschule (712 1211)

WASHINGTON

● The main summer ehow at Kennedy Center Opera House is Miss Saigon, the musical love story set during the Vietnam War. Opens tonight (202-467 4600)
● Mstislav Rostropovich conducts National Symphony Orchestra and Chorus in Verdi's Requiem on Thurs, Fri, Sat and next Tues at the Kennedy Center Concert Hall. The soloists include Denyce Graves and Willard White (202-467 4600)
● David Zinman conducts Baltimore Symphony Orchestra on Thurs, Fri and Sat at Baltimore'a Joseph Meyerhoff Symphony Hall. The title of the programme is Kurt Weill on Broadway (410-783 8000)
● The Joffrey Ballet is in residence at Wolf Trap on Thurs, Fri and Sat. The programme, entitled Billboards, is set to music by Prince and features choreography by Laura Dean, Charles Moulton, Peter Pucci and Margo Sappington. This month'a Wolf Trap programme also includes a jazz and blues festival on June 25 and 26, with a line-up headed by Milton Nascimento and Dave Holland Quartet (703-255 1860)
● Washington Shakespeare Theater'e production of King Lear runs till July 2, in repertory with Samuel Beckett'e Waiting for Godot (703-739 9886)

ZURICH

Opernhaus Tonight, Fri: Un ballo in maschera with Vincenzo La Scola, Giorgio Zancanaro and Gabriele Lechner. Tomorrow, next Tues: Nikolaus Harnoncourt conducts final performances of Helmut Lohner's new production of La Belle Hélène, with cast headed by Vesselina Kasarova and Deon van der Walt. Sat: Mozart ballet evening, choreography by Bernd Bienert. Sun: Don Carlo with La Scola, Nicolai Ghiaurov and Gabriela Benackova (01-262 0909)
Tonhalle Tonight, tomorrow, Thurs: Claus Peter Flor conducts Tonhalle Orchestra in works by Haydn and Shostakovich, with piano soloist Rudolf Buchbinder. Fri: Zurich String Sextet plays Brahms, Kirchner and Tchaikovsky. Sat: Edmond de Stoutz conducts Zurich Chamber Orchestra in a Mozart programme, with piano soloist Alicia de Larrocha (01-261 1600)
Schauspielhaus Tonight, tomorrow, Fri, Sun: new production of Pirandello's Man, Beast and Virtue, directed by David Mouchtar-Samorai. Repertory also includes Dürrenmatt'e The Visit, David Mamet's Oleanna and a studio production of John Osborne's Look Back in Anger (01-221 2283)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesdey: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

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NBC/Super Channel: FT Reports 1230.

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Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

PERSONAL VIEW

Spirit of new trade order

Peter Sutherland on making the Uruguay Round effective

I doubt there were many Financial Times readers who failed to heave a hearty sigh of relief in April when ministers signed the Uruguay Round deal in Marrakesh. Relief, partly because most of them must have felt war-weary after eight years of reading about seemingly interminable negotiations and partly – perhaps predominantly – because they understood just how vital the deal really was.

The results of those negotiations will be implemented as from January 1 1995 when the World Trade Organisation comes into being. One can only hope that the major players will not make the process of ratification – which is required before we can finally confirm the implementation date – into an agony of indecision and delay. The birth of the WTO should not be held hostage to domestic political in-fighting – nor to transient trade squabbles, which tend to be of mind-withering inconsequence when measured against the crucial importance of the new multilateral trading system.

But even when the WTO is in place there will be a temptation, in some capitals at least, to revert to "business as usual"; perpetuating the same kind of preoccupations, justified or not, with respect to bilateral trade balances, alleged "unfairness" in trading practices and so on. It is important that we recognise that the WTO is a response to continuing global changes, economic and otherwise, and that, as a consequence, its activities have to be seen against a background of much more than big-power trade politics.

It will be a truly multilateral institution seeking multilateral responses to the economic problems faced by a large continuum of countries. This is not to talk of "world government"; it is simply to face up to the inter-linkages between economies. It is also to reassert the spirit of the Uruguay Round in finding meaningful, practicable approaches, acceptable to all, which drive forward the creation of wealth and sustainable development.

Establishment of the WTO does, though, call for a new commitment to co-ordination in economic policymaking. Why? Think for a moment about one key preoccupation of most governments at present: education and training in the context of unemployment.

Peter Sutherland: WTO is a response to global economic changes

There is a convincing argument that expanded trade between the developed and developing worlds has, in the past few decades and particularly since the mid-1980s, led to significant employment shifts in both. And it is not a simple matter of jobs lost and gained. While the extent of jobs lost in certain industries and gained in others in the developed countries can be debated, it seems clear that trade with the developing countries has tended to favour the skilled against the unskilled and exacerbated the gap between them. At the same time, in developing countries, export-oriented policies have encouraged a faster rate of learning and investment in education. This has opened up a gap between those with little or no education, who are unlikely to be involved in anything but the most rudimentary manufacturing activity, and those with at least a basic level of education.

This is an important observation. The results of the Uruguay Round, and particularly those related to increased market access for goods and services, are designed to expand trade; certainly between developed and developing countries and those countries in the process of economic reform. Thus, the impact of recent trade growth on skill demands and on the gap between skilled and unskilled, educated and uneducated may be reinforced and, perhaps, accelerated over several decades.

Nor is it just concessions on market access which will spur demands on education and training. New opportunities will be opened up through the intellectual property agreement – encouraging technology transfer, for instance – and the services deal will lead to the establishment of foreign service providers requiring skilled, educated employees. And this should not be seen as a one-way process; opportunities for the development of new skills will be as great in industrialised as in developing countries.

The real question that arises is whether we are thinking hard enough about the machinery which will help governments identify and respond to such trends.

After all, it is evident that the most important influences on national economies are now, and will be increasingly, outside their borders. As a consequence, most governments will be left with few policy instruments with which to attempt to affect the performance of their own economies. If that is the case then it is vital that the international machinery be effective.

I have argued previously that the present machinery of the G7 is now inadequate. On almost every measure, it is an unrepresentative organism and, consequently, its deliberations seldom have meaning or relevance for countries outside the select group – not always, indeed, for those inside. That is a big loss. The fact is that the G7 countries must recognise that they cannot take sole responsibility for the broad thrust of economic management without adequate participation of the countries representing new dynamic markets in the developing world. There is a need for a grouping of countries that can be more effective and representative with some participation, perhaps, on a rotating basis.

But the key to making such a group effective is not only representation but the input participants receive. Here, the multilateral institutions must now get their act together.

At present we have a multitude of researchers and analysts in a multitude of organisations producing countless papers and reports to be added to those produced by governments themselves. Why should the organisations concerned with money, finance and trade – the International Monetary Fund, the World Bank and the WTO – not evolve a single coherent statement on issues of economic concern to a representative forum of the world's leaders? And in order to ensure implementation of the decisions reached, the same organisations should co-ordinate more effectively to give strong institutional support.

One thing is for sure. We must concentrate on the long-term implications of the agreements which have been reached and must be implemented by the WTO and on the way in which this new multilateral trading system will spur new approaches to global economic management.

The author is director-general of the General Agreement on Tariffs and Trade

Joe Rogaly

Hand-up, not hand-out

Its jobs, stupid. The Clinton campaign's famous phrase should be thus restated in time for the next British general election. The deciding issue could be employment policy. That would not necessarily be to the disadvantage of the Conservatives. Since 1979 they have won most of the arguments. As soon as the Labour party has a new leader it had better find out why, and what to do about it. A bogus commitment to full employment will not suffice, except perhaps as a cynical slogan. What Labour needs is a credible social and economic programme. At present it has none.

This is not to belittle Mr Tony Blair, the likely winner of a leadership contest. He talks of national renewal. He also espouses the development of the individual through a return to the values of the family and the community. Such a sermon could win converts, but it would not guarantee victory. For that Labour needs a believable set of economic proposals, a strategy that comforts the electorate, a story that convinces voters that they would be better off if they threw the Tories out.

To his credit, Mr Gordon Brown has cleared the way for some of the necessary rethinking. The shadow chancellor has worked hard to reposition the Labour party. He and his colleagues now run a mile from anything that could imply an increase in personal taxation. The party is no longer associated with devaluation. His central message is that Labour would fit people for the 21st century job market by better education and lifetime opportunities for retraining. The Conservatives have expressed their admiration by copying bits of it. Mr Brown further distinguished himself last week by stepping aside to allow Mr Blair a clear run at the leadership. He was right. A man who speaks in capital letters would be unlikely to soothe the anxieties of wavering voters. He could do his cause a further service. He could challenge his party's long-standing beliefs about deregulation, the minimum wage, and unemployment benefit.

I have chosen those three out of a potentially longer list because the new leader, be it Mr Blair or his likely rival Mr John Prescott, will be asked about them. The debate could begin next Monday. The GMB general union has invited contenders for the Labour leadership to appear before its delegates in Blackpool on Monday afternoon. Mr Prescott believes that it is his duty to campaign for a commitment to full employment, if only to force Mr Blair to reveal his hand. Touching as it may seem, Mr Prescott regards a challenge by himself as an endeavour to ensure that the new emperor has clothes. Violins, please. Self-sacrifice has become chic in the Labour party. The only danger is that he might win. Happily, it is slight.

Labour should beware. Any promise of full employment would be hollow without reform of the welfare system

What will Mr Blair say? He appears to have handed the economic portion of his brain to Mr Brown for education and training. One or both of them will doubtless study a special report due to be published by the OECD tonight. This should put persistent structural unemployment high on the political agenda. It is too closely argued to be disposed of in a few headlines, but the thrust of it favours the Conservative approach to labour market regulation, tax policy, social security contributions, and the minimum wage. Education 'n training is also on the OECD's lengthy menu of proposed job-creation policies, but the people's party will find little support for its current thinking in most of the other items.

Alternatively, the putative leader of the opposition may turn to Mr Robert Reich, Mr Clinton's secretary of Labour. Mr Reich has been all over London town. He spoke at a Guardian seminar on Sunday and delivered a lecture organised by the Labour think-tank, the Institute for Public Policy Research, yesterday. He has a tale of woe to tell, about the US being the most unequal society in the world, with Britain racing to catch up with that dismal record. Jobs, and wage increases, are going to the "problem-solvers," people with university degrees. The unskilled and uneducated are *today's losers*. Like everyone else, Mr Reich favours more training and better education. That said, his further arguments give little support to an inadequately modernised Labour party.

He is lukewarm about increases in the US's generally low minimum wage. How low would Mr Blair put the floor in Britain? Mr Reich acknowledges the high cost in jobs foregone of continental Europe's regulated and highly taxed labour market. President Clinton's reemployment legislation is designed to get people off social benefit. In the 1980s it might have been called workfare. On the morning of black Wednesday in 1992 I heard the president campaign on this theme in Watts county. In last autumn's British budget the Conservatives announced a new "job-seekers' allowance". It cuts the time on benefit from 12 to 6 months and obliges claimants to look for work or accept training schemes. Labour is awaiting the report of its social justice commission on this subject. Its leadership candidates should beware. Any promise of full employment, or a move towards it, would be hollow without some reform of the welfare system. The American slogan "a hand-up rather than a hand-out" would do.

Mr Reich has other pots simmering. One contains a school-to-work apprenticeship programme; another a tax credit system for low-paid workers. Britain's Tory administration introduced family credit for low-paid employees and national vocational qualifications that could become goals for apprentices. As with all job-creation programmes, none of these is itself a solution, but together the complete Reich package may add up to somewhere between harmless and mildly beneficial.

Labour is trapped between the tempting haven of continental Europe, whose comfortable conditions for employees cannot be sustained, and the awful example of America, whose 1980s deregulation has destroyed whole layers of society. There is no magic third way, certainly not one that ends with everyone who wants a job getting one. Subsidies rarely work. You have to settle for less regulation and less welfare if you want more people in jobs. The question is how much less. If Mr Blair becomes leader he will have to teach his party these facts of life. Then, with Mr Brown, he should assemble a package that outflanks the Conservatives. The alternative is hot air, and another Tory victory.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Managements should pay for bad advice

From Mr Alan Saunders.

Sir, Your editorial, "More knocks for the PIA" (26 May), is yet another example of the divergence that is taking place away from the real issue. I, for one, have become increasingly frustrated at the inability of the Treasury and Securities and Investments Board to avoid politicisation of the issues involved and at their unwillingness or inability to grasp the fundamental points which are, or should be, simple and clear.

First, the structure of regulation as proposed by the Personal Investment Authority is having, and will encourage, an anti-competitive result (this being directly contrary to the Treasury's stated intention); an increasing number of independent financial advisers are giving up the business.

The effect of the proposed new regulatory structure is to encourage "bank-assurance" and the like to the obvious and long-term detriment of true independent advice.

Second, protection for the individual investor could be considerably strengthened within the existing regulatory framework and without the need for a PIA. Existing regulations do already impose direct penalties on the perpetrators of bad or fraudulent advice. However, to fine an insurance company punishes the shareholders and/or the policyholders of that company and does not punish those responsible, that is, the managements which have allowed the salesman too much latitude. If the existing regulators made sure that the *managements* were individually fined, then the industry would see a very rapid and effective clean-up of its operations. Let it not be overlooked that most of the recent mis-selling of pension transfers was made by those employed by the insurance companies and banks, not by independent advisers.

Third, while no legislation will be able completely to deter the occasional fraudster, recompense to those injured should come from a compensation fund created directly from a product levy.

Perhaps it is naive to imagine that the expansion of the regulation industry (for that is what it has become) could now be slowed down when there are so many people now involved, all with their large salaries, final salary pension benefits, personal assistants, secretaries *et al* and, of course, individual spheres of political influence. It would be nice to see, or even hope for, a return to common-sense, rather than witness this continued expansion, knowing we in financial services have to pick up the tab and that, in the long run, the investment buying public will suffer.

Alan Saunders,
managing director,
Saunders French & Co,
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Glasgow G41 5BS

Small firms not lacking advantage in Europe

From Dr Michael Burcher.

Sir, Mr Gerald Frankel and Mr Ben Coleman are quite wrong to put forward their view that only the largest companies can afford to commit resources to ensuring that new European standards are not to their disadvantage (Letters, June 1). Industry organisations and trade associations have a key role in the negotiation of CEN (European Committee for Standardisation) standards. Industries which have organised to meet this challenge through associations do so at very modest cost to individual members.

The existence of the European standards system is a matter of fact. Inadequate representation or poor performance in a standards negotiation can lead to products being standardised out of existence. On the other hand, a successful standards negotiation can offer a significantly greater market to a product which meets the new standard.

Virtually all players, large and small, in the UK galvanising sector give solid support to their industry organisstion, finance it at a realistic level and look to it to deliver full value in European standards negotiations. Mr Frankel and Mr Coleman would do well to encourage the same approach elsewhere. In this way UK business meets the challenge of business from other EU states with equal strength.

Michael Burcher,
director,
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Contracting out by no means clarified

From Dr John McMullen.

Sir, May I comment on your feature on the revision of the Acquired Rights Directive, which protects employee rights on transfer of undertakings, ("Government near victory on contracting-out reform", May 31)? In particular, will the revised directive solve a problem for contractors, currently affected by wide interpretations of the present directive? You are right to draw attention to the fact that the revised directive declares that the outsourcing of only an activity of an undertaking does *not in itself* constitute a transfer of an undertaking. This is underpinned by the preamble which makes it clear that the principles of "legal security" demand a clear distinction between transfer of undertakings and transfers of only an activity.

I wonder whether, however, celebrations may be premature. The directive goes on to state that a transfer of an undertaking *shall* be considered to have taken place in cases where together with the transfer of an activity an economic entity which retains its identity is also transferred.

The revised version of the directive makes it clear that there is a distinction between the bare contract for services and a transfer of an undertaking. But it should be noted that, in the recent European Court case of Christel Schmidt (the outsourcing of a cleaning operation) and in the Court of Appeal case of Dines v Initial Health Care Services (the changeover of contractors providing cleaning services to Orsett Hospital), it was specifically found that there was a transfer of an economic entity retaining its identity.

It is certainly arguable, therefore, that these cases would have been decided no differently, even if the revised directive had been in place. If that is the case, tribunals and courts battling with the revised version of the directive (if adopted) may find in many cases that the distinction between the transfer of an activity and the transfer of an activity that amounts to an economic entity which retains its identity is extremely hard to pinpoint. Any view that the new definition of a transfer is more restricted will depend on the interpretation of new wording in the directive's preamble that "an economic entity [is] understood to consist of several parts operating autonomously and pursuing a specific objective . . ." However a lot more work needs doing on the draft directive if real clarity is to be achieved.

John McMullen,
partner and head of
the employment unit,
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41 Park Square, Leeds LS12NS

No privatisation means paralysis for Post Office

From Mr George Guise.

Sir, It is good that the government is at last to propose privatisation of the Post Office although a full sale of the component parts would make more commercial sense than partial retention of public ownership.

The privatisation legacy of the 1980s, which has enhanced both the quality of customer service as well as national return on capital throughout all the privatised sector, has left the Post Office out of kilter with everything around it. It cannot modernise and revamp its assets without meeting Treasury opposition. It cannot participate in a joint venture with, for example, an air freight operator, or make an acquisition without that being called a nationalisation. It is therefore currently held in a full Nelson, one arm financially and the other arm politically. For any business this would be bad, but for a communications business it must mean long-term deterioration.

Because of recent organisational improvements, the Post Office is currently throwing off net cash to the exchequer and therefore assisting in public borrowing reductions. It has been fiscally convenient to milk this cow while indecision about privatisation continued. A normal business would be using a good part of this cash flow to protect and enhance its future competitive position.

There are several parts of the Post Office which could be privatised in their entirety, such as Parcelforce, and the Counters business, without putting the thorny issue of Lettermail and the Queen's head on the political centre stage. Lettermail should, of course, ultimately be privatised, with simultaneous abolition of the monopoly. Deliveries to the Isle of Mull could be protected either by direct state subsidy or by the inhabitants paying a commercial rate. The use of the Queen's head could either be discontinued or, better, licensed with the royalty going to royalty.

Those who wish the Post Office well should not be deceived into believing all will be safe if the state retains ownership and control. Such control can only bring paralysis leading to the ultimate destruction of the business.

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Future of the OECD

The fiftieth anniversary of the conference at Bretton Woods is focusing attention on the International Monetary Fund and the World Bank. Completion of the Uruguay Round is set to transform the General Agreement on Tariffs and Trade into the World Trade Organisation. The end of tha secretary-gensral's current term of office in September onght to force a similar re-evaluation of ths Organisation for Economic Co-operation and Develnpment. What justifies such re-appraisals is not these anniversaries, but fundamental political and economic changes. Institutions that underpinned past successes must be kept up-to-date, if they are to serve well in future.

The OECD is unique by virtue of its limited membership, now 25 (following Mexico's accession in April), along with the wide range of areas it covers. These include all aspects of economics; statistics; agriculture; trade; energy; the environment; public sector management; education, employment and social affairs; science, technology and industry; and fiscal, financial and business policies. Affiliated to it are the International Energy Agency and centres for advising former communist countries and research on economic development.

Many significant initiatives have emerged from discussions in the OECD, since it replaced in 1961 the Organisation for European Economic Co-operation, itself the overseer of the Marshall Plan. One was how best to respond to the structural shocks of the 1970s. Another was the secretariat's analysis of producer and consumer subsidy equivalents in agriculture. Yet another is the effort, on the agenda of this week's ministerial meeting, to promote a consensus on measures to lower unemployment. The OECD plays a central role in the preparation of internationally comparable statistics, which help debates on such subjects as health, ageing and the environment. It has also become the chosen forum for negotiations to limit subsidies to shipbuilding and export credit.

The OECD needs to remain the focal point for inter-governmental discussion of this wide range of topics. But it will also have to change. The Czech Republic, Hungary, Poland and Slovakia are banging on the door. Argentina, Chile, and Brazil, with which the OECD has contacts, might become members, following Mexico. In east Asia, there are several countries that might follow Sonth Korea, due to join late next year.

In principle, the OECD should embrace all advanced market economies. But it must not become as unwieldy as the United Nations. This can be managed only by alterations in the way it is now run. The current principle that all members are entitled to a seat at virtually all tables will have to end. Smaller members could be grouped into constituencies. Regional sub-groups could be established. Sub-groups might also he formed out of those interested in particular topics.

Also necessary is streamlined decision-making. At present unanimity is the rule. Weighted voting would help facilitate executive decisions in a larger, more diverse grouping. Such a change in voting should help a secretary-general determined to play a more powerful role in shaping the global policy debate.

Much depends on who is the successor to Mr Jean-Claude Paye, who has been in place for 10 years. Challenging the French incumbent are Mr Donald Johnston, s former Canadian minister backed by the US, and two other European candidates – Lord Lawson, the former UK chancellor of the exchequer, and Mr Lorenz Schomerus, a senior German economics ministry official. All of these candidates havs merits, though none seems to have the perfect blend of intellectual weight, political clout, diplomatic ability and administrative experience. Probably Lord Lawson comes closest.

As David Henderson, former head of the economic department, has pointed out, "OECD has neither money to offer nor the power to give instructions; but what happens there can have influence on governments and a wider public opinion, if the work of the organisation is professionally competent, objective and timely." The next head of the OECD must, above all, be someone able to initiate and promote such work to governments and to a wider public.

Soap wars

Since the late 1980s, multinational managers have been repeatedly urged to "think global, but act local". When first coined, the axiom was intended to correct the then common misconception that the opening of international markets meant that consumer demand was identical everywhere. Today, there is a wealth of business school case studies demonstrating the error of that assumption.

However, the recent war of words between Procter & Gambls and Unilever, two of the world's biggest consumer goods manufacturers, suggests a rather different conclusion. The hostilities centre on P&G's allegations that a new Unilever detergent, which contains a patented cleansing technology, rots clothes.

The origin of Unilever's embarrassment lies not in the difficulty – but in the relative ease – of marketing across borders. That, indeed, has become essential in the detergents industry, where steadily fiercer competition has eroded producers' traditional positions in national markets. Increasingly, success depends on being the first to develop new products and launch them simultaneously on many world markets.

Though P&G's allegations may prove baseless, and Unilever's faith in its new product vindicated by consumers, the incident points to a wider lesson. As pressure grows on manufacturers to innovate faster and expand their sales efforts across borders, they are also obliged to confront much bigger risks. In the days when they began by selling products just on their home markets, any hiccups could be attended to before they were launched abroad. Today, they can become s global headache from day one.

Furthermore, the advantages procured by global product launches can be short-lived because they can often be quickly copied by competitors. Unilever has sought to combat that problem by using patented technology in its new detergent. But that is difficult in most other consumer products. From ice cream to nail varnish, makers of good new products invite ever earlier a horde of global imitators. For them, the challenge of the 1990s is no longer learning how to cross borders, but how to survive thereafter.

Revive the OAU

South Africa's admission to the Organisation of African Unity at the weekend will provide an opportunity to breathe new life into a discredited body. Since its inception in 1963 the OAU has been preoccupied by apartheid, but its contribution to the ending of minority rule was negligibls. Instead South Africa became a convenient rallying point for leaders wishing to divert attention from their failures at home.

OAU summits rightly denounced minority rule in South Africa, but ignored human rights abuses in member states. Ths organisation has also neglected its role as a mediator in African conflicts. It belatedly recognised the continent's economic crisis, but still seems reluctant to endorse the fundamentals of structural adjustment.

Some of the more forthright leaders, such as Uganda's Yoweri Museveni, have made refreshingly frank appraisals of the OAU's performance. But only President Nelson Mandela can bring the combination of qualities that the OAU needs if it to be rejuvenated: moral authority, economic clout, military muscle and, above all, the inspiration of South Africa's successful transition to democracy.

If one looks elsewhere for s figure with the right to speak for the region, one searches in vain. The first generation of post-independence African leaders are mostly dead and/or discredited. Many of their successors are even less fitted to the task. They pay lip service to democracy, line their pockets, and allow economic reform programmes to lapse.

When he addresses the summit next week, Mr Mandela should set out the OAU's post-apartheid agenda. It can strengthen its commitment to democracy by encouraging and monitoring all members' elections. It should make mediation a priority, and co-ordinate its peacekeeping role with the UN. It can tackle corruption with the help of Transparency International, the recently-founded campaign for a universal code of business conduct. It should invite rigorous conditionality in return for bold western initiatives to resolve the external debt burden. Above all, Mr Mandela needs to inspire and harness the same energy and commitment that helped Africa win independence and gave the OAU its *raison d'être*.

Girders fall back into place

Lionel Barber says Europe's rescue plan for the steel industry may be revived in a more acceptable form

EU steel industry: rescue plan resuscitated

The European Commission must make up its mind tomorrow whether its rescue plan for the steel industry is dead, alive, or in suspended animation.

Three weeks ago, the answer seemed clear. Mr Karel Van Miert, competition commissioner and co-architect of the plan to cut surplus steel-making capacity, confessed to failure. "We have fallen well short of our target," he declared. "The plan is dead."

Mr Van Miart's pronouncement spread confusion through Europe's steel industry. In spite of his ontburst, the Commission has since worked hard to rebuild the shattered girders of its steel policy. For without a guiding hand from Brussels, officials believe the industry has few incentives to cut the EU's surplus of 19m-26m tonnes of steel products a year.

Officials insist that the EU rescue plan is the best hope of preserving Brussels' controls on state ald. "Without this political framework plan, we risk a free-for-all on state aid in a market whicb remains extremely fragile," says one Commission steel expert.

Inevitably, questions are being raised about Mr Van Miert and his motives for disavowing s plan with which he was intimately associated. The answers reveal much about the inner workings of the Commission as the 10-year reign of Mr Jacques Delors as president draws to a close.

Mr Van Miert, a protégé of Mr Delors, has tried every trick to cajole steel-makers into making cuts, but he has struggled to overcome the resistance of the state-owned and private sector, which can usually count on national governments for support:

- In Spain, Prime Minister Felipe González extracted a high price for closing capacity in the volatile Basque region, winning approval from Brussels for the construction of s modern steel plant at Sestao.
- In Italy, a reluctance by the Commission to undermine a reform-minded government slowed down capacity cuts in 1993. Today, efforts to eliminate steel mills in the northern Bresciani region remain sensitive for the new Berlusconi government and its Northern League coalition partners.
- In Germany, Chancellor Helmut Kohl has fought to protect the Ekostahl plant in former East Germany. In West Germany, the failure to close the loss-making Klöckner works near Bremen last year was a hammer blow to the EU plan.

In the more liberal camp, the UK and the Netherlands have remained sceptical about the effectiveness of the Commission's role, partly because information on closures and state aid from member states is inadequate. Private companies such as the British Steel Corporation insist that the Brussels plan is tilted in favour of the state-owned sector.

This mutual suspicion formed the background to last December's meeting when EU industry ministers finally put their seal on a deal which offered Ecus 7bn in subsidies to state-owned companies in Germany, Italy, Spain and Portugal. The main *quid pro quo* was an agreement by the companies to close 5m tonnes of capacity, an end to state aid, and a new deadline of Septembar 1994 for meeting the total 19m-tonne reduction in capacity.

Somewhat ruefully, Mr Van Miert now admits that there was always an element of creative fiction and mntual bluff involved in the plan. Yet this was inevitable from the moment that the Commission stepped into the crisis. Both Mr Van Miert and Mr Martin Bangemann, industry commissioner, have consciously adopted a different approach from the early 1980s when Brussels cast itself in the role of organising the steel market under the so-called "Davignon plan".

The plan – named after Mr Etienne Davignon, tben industry commissioner – allowed Brussels to dictate individual company's production quotas, impose protectionist trade measures, and endorse subsidies and price cartels.

This time, the Commission used a lighter touch. It offered market supervision througb quarterly "recommendations" for forward production and delivery volumes; but it encouraged privatisation to take out excess capacity. The aim was to balance state aid for restructuring with monitoring of plant closures.

After a fashion, it worked. By spring this year, the Commission had notched up real and promised cuts totalling 11m tonnes. But in his search for the extra 8m tonnes, Mr Van Miert overstretched.

The first signs of trouble appeared at a meeting in Strasbourg early last month when Mr Van Miert delivered an ultimatum to European steel industry bosses: failure to find the extra cuts would bury the rescue plan and terminate his role.

Two weeks later, the Belgian commissioner put forward to a full Commission meeting new proposals for approving Ecus 415m of Italian state aid in return for the closure of capacity in the Brescia. There was one snag: no actual company would close, only a portion of the plants.

Mr Van Miert pleaded for a flexible interpretation of rules on steel aid, noting that the amount of subsidies was modest compared to aid already suthorised. But Sir Leon Brittan demolished his arguments, claiming the subsidies were legally dnbious and undermined the EU position in negotiations with the US on a multilateral steel agreement.

The meeting ended in disarray. Only four commissioners, including Mr Delors, stood by Mr Van Miert. It was ths worst row inside the Commission since the 1991 bust-up over the US-EU Blair House accord on agricultural subsidies which ended with the (temporary) resignation of Mr Ray MacSharry, Irish agriculture commissioner.

Mr Van Miert staged his own walk-out the next day, pinning the blame on Sir Leon and proclaiming the rescue plan dead and buried. He still rejects charges that be was bending the rules. "It is totally unfair. I was asked to find a solution, and I can't see what I could have done otherwise."

In retrospect, several lessons can be drawn from the affair. Mr Van Miert sdmits he should have put more pressure on the steel industry to deliver cuts in capacity before he offered concessions such as pre-financing for closures. "Van Miert is a socialist turned liberal," agrees one observer. "That does not make s good combination."

Second, many of the commissioners were caught unawares by Sir Leon's intervention, suggesting either a lack of homework or an unhealthy reliance on their own Cabinet staff who had backed the Van Miert plan overwhelmingly just two days before. Mr Bangemann's own involvement has been sporadic. He was in Estonia when the crucial Brescia vote took place in the Commission.

Third, Mr Van Miert appears to have become obsessed with hitting the 19m-tonne target. "He made it seem that the Commission was responsible for finding the cuts in capacity, rather than industry. That was a fatal mistake," says one official.

Fourth, the Commission may be underestimating the interest of steel companies themselves in finding market solutions to the crisis. A slowly recovering steel market coupled with new governments in France and Italy committed to privstisation may offer new possibilities, says one official.

These possibilities could include new transnational alliances, witb companies choosing to eliminate specific capacity in return for reciprocal equity stakes and investment. Arbed, the Luxembourg steelmaker, has led the way in Europe in cross-national joint ventures. Some believe that British Steel may pursue a similar approach, possibly in France.

When the Commission revisits the steel crisis tomorrow, it seems likely that it will approve a repackaged version of the Van Miert plan. The onus in the new version will be on Berlusconi's new government in Italy to show that state aid to the Bresciani plants does not violate EU rules, and the blame for failure will be shifted to the industry rather than the Commission.

So, the steel plan looks set for the greatest comeback since Lazarus. But it is far from clear whether it will meet Mr Van Miert's own demands for at least "a minimum amount of political and intellectual coherence". His vote will be worth watching.

Booked up for knights of Polish passion

Chrystia Freeland on Harlequin's eastern promise

Polish men used to take their gallant reputation seriously: this is a country where coal miners would kiss a lady's hand on introduction at the picket line. But since the collapse of communism, Polish women in search of a white knight turn increasingly to Polish translations of romance novels published by the local subsidiary of Canadian-based Harlequin company.

Over the past two years, Polish women, like those in Hungary and the Czech Republic, bave fallen for the western charms of Harlequin heroes as avidly as their men have taken to the western pornography once banned by communist censors. While the competition to satisfy eastern Europe's appetite for pornography is fierce, over the past three years Harlequin, which trades in the UK as Mills and Boon, has managed to establish the same market dominance east of the Elbe that it exerts in western Europe and North America.

More than 90 per cent of the 24m romance novels sold in Poland last year were Harlequins, and the company enjoys similar sales levels in Hungary and the Czech Republic.

This year, Harlequin is pedalling passion even further east, through new subsidiaries in Bulgaria and possibly Russia, where the company is conducting a trial run.

Harlequin is the McDonald's of romance: its product is inexpensive, mass produced and offers the same, reliable story-line in dozens of languages every month. In Poland, this approach has allowed Arlekin, Harlequin's fully owned local subsidiary, to become the nation's largest foreign pnblisber, with monthly sales approaching 2m and a gross profit of nearly $2m last year, with a full-time staff of only 11.

Harlequin paperbacks, with their covers of couples locked in romantic embraces, are now a common sight in Polish bookstores. But to market Harlequins in Poland, Mrs Nina Kowalewska, the managing director of Arlekin, first had to promote a feminine version of the capitalist dream which has conquered eastern Europe: a romantic love matcb witb an invariably well-heeled Prince Charming.

First, she blitzed the country with television advertisements in which a woman, sitting in a grey apartment on a grey sofa, finds herself in a bright, elegant, expensively furnished home, with a well-dressed man at her elbow. As a male voice croons "enter the garden of love", several Harlequin novels appear on the screen.

Poland's high culture is strapped for cash and many writers live by translating romances into Polish

Mrs Kowalewska followed up her visual assault with an even more direct effort to make the western woman's romantic idyll a part of post-communist Polish culture: in 1992 she introduced Valentine's Day into Poland. Harlequin held a Valentine's Day party for its main subscribers and assorted politicians, created a Valentine's Day package for television and offered romantic holidays and a Nissan Micro car as Valentine's Day prizes to its readers in a lottery-style draw.

Mrs Kowalewska, one of Poland's best known businesswomen, has also employed less glamorous marketing techniques. She insists on high production standards, printing Polisb Harlequins in Germany because no Polish press can cope with such as high volume. Mrs Kowalewska stresses that "you will never find a spelling mistake or typographical error in our books".

High production quality is a necessary defence for Mrs Kowalewska, who mnst counter the soft but incessant grumbling of Polish intellectuals. They resent the replacement of the high-brow literary classics such as the epic poem Pan Tadeusz, by 19th century writer Adam Mickiewicz, which once provided a refuge from the reality of communism with the popular culture of Harlequin novels.

But Mrs Kowalewska, who admits that Harlequins are "entertainment, not literature", enjoys a subtle revenge for the intellectuals' putdowns. High culture in Poland is strapped for cash now that subsidies have ended, and many Polish writers are making ends meet by translating Harlequin romances from English to Polish.

"As a result, Harlequins are better written in Polish than in English," Mrs Kowalewska says, adding with a polite smile, "in this way we can also help to subsidise high culture".

Her final defence, taken up on the pages of a Polish political journal, is that while western feminists might criticise romance novels for perpetuating sexist stereotypes, in Poland, such writing is in the vanguard of the struggle for women's rights.

"Polisb men are rough, crude and exploitative," Mrs Kowalewska says. "Readers tell us that after reading Harlequins they no longer put up with that kind of treatment. They demand to be treated as partners and to be cherished."

Despite the quiet scorn of Polish intellectuals and the mounting trepidation of Polish men, this sppears to be a message which Polisb women are willing to spend billions of zlotys a year to hear.

OBSERVER

Scrabbling in Toytown

■ Who will finally bag J W Spear, the UK owner of Scrabble? Will it be mighty Mattel, manufacturer of Barbie, aged 35? Or will Hasbro, handler of Sindy, 33, finally win through? Hasbro was first, valuing Spear at almost £47m, but Mattel squeezed in last Friday, valuing it at £52m.

Observer understands the matter has already passed into the hands of two top executives, charged with thrashing out a compromise. Here's an excerpt of s crucial weekend phone call.

S: Whaddya mean by this, tryin' to upstage ma show? Old man Spear has already said he's happy with us.
B: Off your high horse, gal. All's fair in love, war and business. The other Scrabble guys go for me.
S: Cheapskate! Flashing your legs ain't gonna make no difference.
B: At least I *got* legs worth flashing – punters paid more than $1bn for me last year. *And* I got 55 per cent of the fashion doll market. You only got 32 per cent, honey.
S: You ain't got a decent pedigree, sweetie pie. Ah'm British, through and through.
B: British? Don't crease me up. You ain't been British since 1986.
S: I jest *know* that Spear likes my looks better than yours.
B: Butt out, kiddo – your looks were a damn sight better before you got a nose job in '92.
S: That was only 'cos you bitched so loudly thet I was better-looking than you.
B: Lighten up, loser. Yon ain't gotta hope in hell.
S: (Sounds of sniffles).
Click.

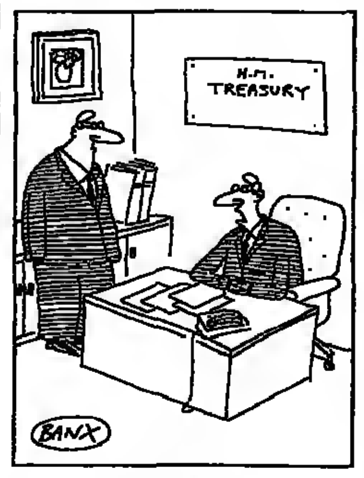
Prescott's man

■ Further evidence that John Prescott will be fighting an uphill battle if he decides to challenge Tony Blair for the Labour leadership. Richard Caborn – prominent Prescott aide and a likely choice as campaign manager – is planning to spend the second week of the race in South Africa in his role as chairman of the Commons trade and industry committee. Nice to see pleasure coming before duty for a change.

Arms and the man

■ South Africa's new minister of defence Joe Modise – former head of the ANC's armed wing – is wasting no time getting to know an industry that was created specifically to thwart his guerrilla army.

At a briefing by state arms manufacturer Armscor – where Armscor declared its intention to double arms exports from their current annual figure of R836m – Modise could hardly have been more fulsome in his praise.



'What if we extend VAT to all food except beef?'

Modise spoke warmly of Armscor's contribution to exports, job retention and the maintenance of local technology, but then refused to take questions. A less than generous hack remarked that his words bore an uncanny resemblance to those of Armscor's first great promoter – former minister of defence, later president, P W Botha. *Plus ça change.*

Buttered guns

■ Talking of the arms business, is the British government once again about to turn to British Aerospace, Britain's biggest arms exporter, to find its top arms salesman?

Sir Colin Chandler was BAe's marketing director when he was poached to head the Ministry of Defence's Export Sales Organisation in 1985. Now another BAe type, Charles Masefield, 54, is being fingered to do the job. His dad, Sir Peter Masefield, used to be a big wheel in the Britisb aviation industry, which helps in a business where names matter. Masefield junior is also an ex-chief test pilot for Hawker Siddeley; so at least he should know what he's talking about on the hardware side.

It's certainly taken long enough to find a boss for one of Britain's most successful export businesses. One reason may be that the MoD insists on having s Brit.

But if an Australian – Malcolm McIntosh – can be chief of defence procurement, surely an out-and-out foreigner could be Britain's chief arms sales rep?

It would certainly widen the field and reduce the suspicion that the job will be stitched up over a few brandies and cigars at the Athenaeum.

Swan song

■ What does the secretary of the Bank of England actually do?

Take Geoffrey Croughton, the current incumbent. Apart from keeping the minutes of the weekly meeting of the court of directors, Croughton has been slaving sway for months organising tomorrow's Bank of England tercentenary concert at the Barbican.

If anyone knows the score it is Croughton. Not only has he arranged the programme, but he will he on stage singing with the Philharmonia Chorus. Indeed, this will be his swan song. After eight years on the job, he retires at the end of the year and hands over to John Footman, the Bank's user-friendly PR chief.

Footman follows in a distinguished tradition. Kenneth Grahame found time to write Wind in the Willows and several other tomes during his 10 years in the post, and Montagu Norman, who ran the Bank for 24 years, is reported to have offered the job of company secretary to T.E. Lawrence (of Arabia).

Oddly enough, Lawrence seemed to prefer an even bigger desert.

Free love

■ Tom Spencer is standing as the Tory party candidate for the Surrey constituency in the European elections on June 9. For some reason Spencer chooses to sign his election leaflet not "yours", nor even "yours sincerely" but "love". "My starting point is that Surrey is geographically and industrially at the heart of Europe," says Spencer's handout.

Clearly a man fuelled by wishful thinking and desperate optimism; an ideal candidate for the Tories.

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Clinton says nations must keep strong alliances

Leaders praise unity as D-Day ceremonies end

By David Buchan on Omaha Beach

Veterane and international leaders gathered yesterday on Omaha Beach, the most notorious of the five Normandy landing points because of heavy US casualties, for the closing ceremony of the D-Day commemorations.

Recalling the community of nations which banded together to fight Nazism 50 years ago, and that has since embraced democratic Germany, the wartime allies reviewed troops, marching bands, planes and ships from 13 countries that fought the Nazis.

The tale of the D-Day preparations was recounted in two ways – first in the homespun words of Mr Walter Ehlers, who won America's medal of honour and lost his brother on June 6 1944. Then President Mitterrand, himself for a time a prisoner of war in Germany, in polished rhetoric saluted all the veterans "come to rejoin their past, which is our future".

Tbe French president also saluted the heroism of the Russian people, who pinned down 150 German divisions, the French resistance who helped pave the way for D-Day, and Hitler opponents inside Garmany "who remained true ... to the Germany of their dreams, home of the highest culture".

Meanwhile, in a newspaper interview yesterday, Chancellor Helmut Kohl denied he had ever solicited an invitiation to the D-Day ceremonies, and said: "I understand very well why the allies are commemorating this occasion, so significant for Europe and for their sacrifices."

Chancellor Kohl, in a meeting with Mr Felipe González, the Spanish prime minister, later underlined forcefully Germany's continuing commitmant to the process of European integration.

The message which all the leaders gathered in France sought to convey yesterday was that from the anti-Nazi struggle of 50 years ago came the post-war international co-operation that must be continued to combat present and future conflicts.

President Clinton told the US Rangers who had scaled the Pointe du Hoc cliff above Omaha, that there were "still cliffs to be scaled" by the world's democracies who must maintain strong alliances. Mr Clinton went on to tell the Ranger veterans that "if we should falter, we need only remember you at this spot 50 years ago, and you again at this spot today".

Britain commemorated its dead at tha Bayeux cemetery in morning drizzle and then its veterans at Arromanches in afternoon sun. The ceremony was attended by President Mitterrand, Australian prime minister Paul Keating and other leaders including the Grand Duke of Luxembourg who served in the Irish Guards to free his country from the Third Reich.

Later, Queen Elizabeth and Prince Philip walked among the graves of the 3,935 British dead and the memorial to 1,808 unknown dead of the Commonwealth. At Arromanches, the Queen said the presence of Mrs Simone Veil, a senior French minister who as a young Jewish girl was in Auschwitz, "represents perfectly why we are here today".

Mr Clinton, who has been criticised for not serving in the Vietnam war, paid eloquent tributes to fallen US soldiers and survivors. But at Utah Beach, where US forces had also landed, veterans booed when they were told tardiness on the part of President Mitterrand had also delayed Mr Clinton.

S Korea acts to guard against attack

By John Burton in Seoul

South Korea yesterday decided to activate all emergency consultative procedures with the US to guard against possible military action by North Korea.

US and South Korean forces remained on a high state of readiness, while the emergency procedures include sharing of intelligence on North Korean troop movements and co-ordination at a military and political level.

South Korean president Kim Young-sam is expected to brief senior officials and political leaders tomorrow on tha dispute over nuclear inspections.

Meanwhile, the United Nations Command has asked for a meeting with North Korean delegates to discuss the North's unilateral withdrawal from the military armistice commission that supervises the 1953 truce thet ended the Korean war.

North Korea yesterday repeated its warning that UN economic sanctions imposed on Pyongyang for its failure to accept full international nuclear inspections would be considered an act of war.

But no unusual North Korean military movements have been detected in spite of increased tension on the Korean peninsula, according to South Korean officials.

Mr Han Sung-joo, South Korean foreign minister, has arrived in New York to consult the US and Japan on the preparation of a sanctions resolution likely to be introduced this week in the UN Security Council.

The three nations have reportedly already agreed on the timing and degree of sanctions, which are expected to include Japan's stopping at least $600m in cash remittances sent to North Korea by pro-Pyongyang Korean-Japanese.

The money is North Korea's largest source of hard currency, which is needed to buy vital oil and food supplies to prop up its struggling economy.

The dispute could be solved if the International Atomic Energy Agency is allowed to examine two suspected nuclear waste sites that could show whether Pyongyang diverted plutonium from its reactor to a suspected nuclear weapons programme in 1989.

Philip Morris acts against Australian advertising ban

By Nikki Tait in Sydney

Philip Morris, the US cigarettes, food and brewing giant, yesterday launched a High Court action in Australia, seeking to overturn the country's ban on cigarette advertising on the grounds that it denies "commercial freedom of speech".

This is thought to be one of the first attempts by a US cigarette manufacturer to litigate against "anti-smoking" laws outside the US, and comes as the industry faces increasing pressure from regulators at bome and in the international market.

The company said it filed a statement of claim because the restrictions imposed by the 1992 Commonwealth Tobacco Advertising Prohibition Act were "so wide-ranging that they deny it the right to take part in debate on political, public and eocial issues and deny it the normal commercial freedom of speech.

"Important issues of freedom of speech are at stake because the restrictions deny us the right to communicate on political, public and commercial issues," said Mr David Davies, vice-president at Philip Morris.

The 1992 act made tobacco advertising illegal in Australia from the middle of last year. It will also phase out cigarette sponsorship of sporting events by the mid-1990s unless exemptions are obtained. Existing sponsorship contracts will be honoured.

When the legislation was introduced, federal health officials claimed that about 18,000 Australians died each year from tobacco-related diseases and the drain on health services amounted to abont A$6.8bn (US$4.69bn) a year. Some 28 per cent of Australians are estimated to be smokers.

Philip Morris claimed yesterday the trigger-point for its lawsuit came last month, when it tried to recall some promotional cigarette lighters, which were thought to be faulty. It said some Australian media groups claimed initially they could not publish the recall advertisement for fear of breaching the federal law. After a brief delay, modified advertisements were accepted.

Philip Morris employs about 4,000 people in Australia and says it pays more than A$1bn in taxes and licence fees to state and federal governments.

"We believe it is unacceptable for such a significant organisation, responsible to so many shareholders, employees, suppliers and customers, to be denied the right ... to engage in normal commercial communication," the company said yesterday.

THE LEX COLUMN

BAA reaches for the sky

BAA has the defensive qualities of a utility but the growth prospects of the civil aviation industry. So it is hardly surprising that chief executive Sir John Egan is piling investment into the business. Planned capital expenditure in airports of £1.4bn over the next three years is more than double investment over the past three years. Part of this is to accommodate future growth in passenger volumes. But the stepped-up spending is also designed to expand airport retailing, improve the quality of terminals and build more office space. A further £200m is earmarked for investment outside airports, mostly building factory outlets.

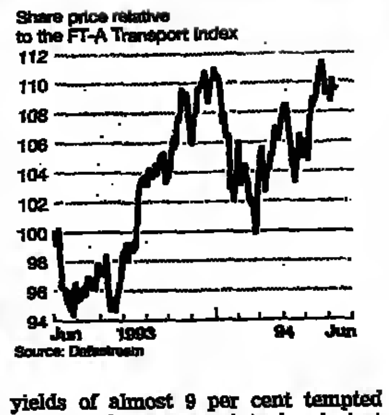
Given that BAA's strategy of controlling costs and boosting retailing revenue is delivering handsome returns, investors will probably be pleased to have more of the same. Sales per passenger at the group's first redesigned shopping mall, Heathrow's Terminal Four, have increased 30 per cent. Meanwhile, BAA's construction costs have dropped by a third over the past three years and the company now boasts world standard building costs.

There are two main worries. First, that BAA's airport retailing investment could hit diminishing returns as passengers presumably have finite budgets. Second, that the group'e move into factory outlets could prove misguided, given its poor record of diversification outside airports. Still, Sir John is determined to proceed on a suck-it-and-see basis and would be prepared to pull projects if rates of return failed to meet expectations. The expansion programme seems to be in safe hands.

FT-SE Index: 3009.4 (+11.6)

BAA

Share price relative to the FT-A Transport Index



Source: Datastream

New issues

The paralysis which started to grip the new issues market in May is spreading. British Printing Company, the latest UK company to postpone its flotation, is neither an unfashionable property developer nor a cable television operator. Despite its colourful past within the Maxwell empire, BPC is the kind of solid industrial company institutions would normally be happy to own. Despite flotations totalling £7bn this year – more than in the whole of 1993 – there is no shortage of institutional funds even if patience is wearing thin.

While equity and bond markets are choppy, though, many institutions would rather accumulate cash than commit fresh funds. Pension funds were certainly building cash balances during the first quarter. Long gilt yields of almost 9 per cent tempted some fund managers into bonds last week. Where money is flowing into equities, larger stocks are more likely to benefit. On a yield premium of 20 per cent to the Mid 250 index, the FT-SE 100 looks most attractive to investors in search of value.

A medium-sized company like BPC was therefore swimming against the tide. The flotation might have still have succeeded, but only by pricing the shares more cheaply than the company and its existing shareholders could accept. Other hopefuls may be prepared to bend a little more. Greater realism in pricing new issues was anyway overdue. The sight of big industrial groups floating subsidiaries rather than making trade sales – ECC and Hanson are cases in point – was a hint that equity market valuations had become over-blown.

UK economy

It is tempting to conclude from the latest statistics on consumer credit and the housing market that April's tax increases are starting to bite. Perhaps, though, it would be more relevant to ask how far the economy would now be set to overheat if there were no tax increases to dampen consumer demand. Consumer credit may have fallen compared with March but April's total of £413m was still higher than January and February and more than double that of April last year. The slippage in housing market activity is more unsettling, but it seems unrelated to the tax increases: more likely it reflects the bunching of transactions earlier in the year while the cheapest fixed-rate mortgages were still available. It will take a month or two to tell how serious is the housing market setback. So far nothing has happened to deter the upward drift of City estimates for this year's economic growth to 3 per cent or even higher. Expansion at that pace cannot be entirely consumer-led. Happily there are glimmerings of increased investment demand which should help pick up any slack, while the nascent recovery in Europe should bolster exports.

If that makes the recovery more sustainable, the risk remains that tax increases combined with fears of higher interest rates will eventually sap confidence. Base rate concerns, though, are still only a matter of expectations. If fears of higher rates did upset the recovery, the authorities would be spared the political embarrassment of having to implement the steep rate rises now predicted by the money market.

Sprint/EDS

A disagreement over the relative values of Sprint and EDS caused the breakdown in their merger talks. But the logic of putting a telecom operator together with a data processing company is still plausible, if a little fuzzy. Since both companies are important pieces on the multimedia chess board, a further phase in the complex game of telecoms alliances is in prospect.

Sprint will be the centrepiece of attempts to put together a third force in the US telecoms market to compete with AT&T and MCI. It will also be a player in whatever group emerges to rival the global alliances led by AT&T and BT/MCI. With indications that France Telecom and Deutsche Telekom are going cold on linking up with AT&T, the likelihood that Europe's two largest carriers will join forces with Sprint has increased. Some sort of alliance with NTT is also possible, though the Japanese carrier is still being wooed by BT and in any case is limited by regulations in what it can do in overseas markets.

There is little point in combining EDS with another company which does not own a US telecom network. It may therefore make sense for it to gain its independence from General Motors and use whichever networks offer the best deal. Alternatively BT, which came close to buying a stake in EDS two years ago, may renew its interest. Shareholders in the UK group, though, are likely to be worried about the dilution implicit in such a move.

OECD lifts growth forecasts

Continued from Page 1

cent in the first half of this year.

The OECD has revised its expectations of short-term interest rate developments. It expects US 3-month rates will rise to 5.6 per cent by late 1995, about 0.5 point higher than projected in December.

German ehort-term rates are expected to fall over the next 18 months, but less sharply than previously expected. The OECD expects German 3-month rates will be 4.3 per cent by the end of next year, against its earlier forecast of 3.8 per cent.

Like all projections, the latest OECD figures are subject to uncertainty, including possible negative effects from the recent sharp rise in long-term bond rates.

Detergents battle heats up

Continued from Page 1

polite for us to give our supplier a chance to clarify the situation," the supermarket group said.

Mr Seth dismissed Procter & Gamble's research findings about damage to clothes as "irrelevant".

He said: "If you pick the right combination of dye, stains, material and basic colour, you can get results which will show severe damage. If I want to, I can do the same with competing products."

The largest Dutch consumer protection group called on Unilever yesterday to make a clear distinction between the old and new Omo Power when it launches the modified version in the Netherlands later this month.

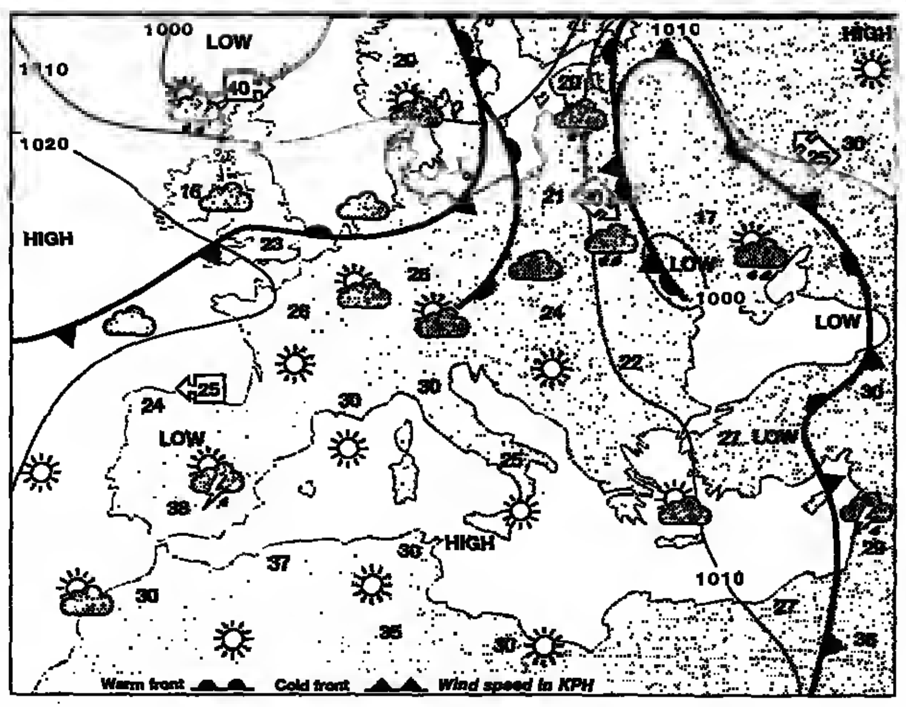
FT WEATHER GUIDE

Europe today

A wavering frontal zone will cause overcast skies over the British Isles and limited sunshine across the Low Countries, Germany and Poland. Scotland will have showers, which may be heavy at times. Wales and central England will have outbreaks of light rain, but elsewhere, it will remain dry and afternoon temperatures will rise to seasonable values. The Alps, the Czech Republic, Slovakia and Hungary will have sunny spells. Northern France will be partly cloudy, but central and southern France will have abundant sunshine. Tropical heat will trigger thunder showers over southern and central Spain. Sunshine will be plentiful over Italy and the western Balkans. The eastern Balkans will have a mixture of cloud and sunshine. Turkey and the Middle East will be partly cloudy with a few thunder showers.

Five-day forecast

Western and central Europe will be changeable with outbreaks of rain or showers. Maximum temperatures will drop several degrees. Southern regions will continue sunny with temperatures still in excess of 30C in southernmost sections. Northern Europe will have a mixture of cloud, eunshine and showers.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	39
Accra	shower	31
Algiers	sun	32
Amsterdam	cloudy	20
Athens	sun	25
Atlanta	thund	30
B. Aires	fair	14
B.ham	drzzl	18
Bangkok	thund	34
Barcelona	fair	28
Beijing	fair	30
Belfast	cloudy	17
Belgrade	sun	23
Berlin	cloudy	25
Bermuda	fair	26
Bogota	rain	19
Bombay	rain	32
Brussels	fair	24
Budapest	fair	23
C.hagen	cloudy	19
Cairo	sun	36
Cape Town	cloudy	18
Caracas	fair	27
Cardiff	drzzl	18
Casablanca	fair	29
Chicago	thund	26
Cologne	cloudy	26
Dakar	fair	27
Dallas	sun	34
Delhi	sun	44
Djakarta	cloudy	32
Dubai	sun	37
Dublin	cloudy	17
Dubrovnik	sun	25
Edinburgh	shower	17
Faro	sun	28
Frankfurt	fair	28
Geneva	sun	26
Gibraltar	sun	29
Glasgow	shower	15
Hamburg	cloudy	23
Helsinki	cloudy	20
Hong Kong	cloudy	30
Honolulu	fair	31
Istanbul	shower	19
Jersey	fair	18
Karachi	sun	35
Kuwait	sun	44
L. Angeles	sun	22
Las Palmas	sun	26
Lima	fair	20
Lisbon	sun	28
London	cloudy	23
Lux.bourg	fair	25
Lyon	sun	28
Madeira	fair	24
Madrid	fair	36
Majorca	sun	31
Malta	sun	27
Manchester	cloudy	17
Manila	thund	32
Melbourne	rain	13
Mexico City	fair	24
Miami	thund	32
Milan	sun	30
Montreal	shower	20
Moscow	rain	26
Munich	fair	24
Nairobi	fair	25
Naples	sun	26
Nassau	fair	31
New York	fair	30
Nice	sun	25
Nicosia	shower	32
Oslo	fair	21
Paris	fair	26
Perth	cloudy	15
Prague	shower	24
Rangoon	thund	30
Reykjavik	shower	11
Rio	fair	22
Rome	sun	26
S. Frsco	fair	21
Seoul	fair	30
Singapore	cloudy	32
Stockholm	cloudy	10
Strasbourg	fair	28
Sydney	fair	20
Tangier	fair	30
Tel Aviv	sun	33
Tokyo	cloudy	24
Toronto	sun	22
Vancouver	rain	17
Venice	sun	26
Vienna	cloudy	25
Warsaw	cloudy	22
Washington	fair	32
Wellington	cloudy	10
Winnipeg	fair	23
Zurich	fair	25

FINANCIAL TIMES
COMPANIES & MARKETS
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Tuesday June 7 1994

IN BRIEF

Finnish bank cuts losses

Losses at Kansallis-Osake-Pankki, Finland's leading commercial bank, narrowed sharply to FM275m ($50m) from FM626m in the first four months, as it benefited from reduced credit losses, new business and lower interest rates.
Page 20

Philips back on a spending spree
After years of cost-cutting, the semiconductor division of Philips, the Dutch electronics group, is spending again as it celebrates a return to profitability. Page 20

Cox climbs the cable league
Times Mirror, the US media group, has agreed to sell its cable television operations to Cox Enterprises, a privately-held Atlanta-based cable television and publishing group. The deal makes Cox Cable, the Cox Enterprises cable unit, the third largest US cable TV company, with around 3.1m subscribers. Page 21

Swire reassures on Cathay control
John Swire & Sons, the owners of Cathay Pacific, the Hong Kong-based airline, have reassured senior airline management and staff that they have no intention of relinquishing control of the company. Page 22

Emap plans further expansion
Emap, the UK media and exhibitions groups is planning to continue its twin policy of launching new magazine titles and expanding through acquisition. Mr Robin Miller, chief executive, said that by next June he expected Emap to be "a somewhat larger company than it is today".
Page 24

Observers brace for prolonged battle
Few in the UK watching the legal fight between the Cheltenham & Gloucester building society and the Building Societies Commission over the Lloyds Bank agreed £1.8bn ($2.7bn) offer for C&G believe that the High Court's judgment will be the end of the affair.
Page 24

Discarding the poor relation tag
A flotation of the National Grid, which operates the high voltage transmission system in England and Wales, is to value the company at £4bn ($6bn) at least – a far cry from when the company was considered within the electricity industry to be the poor relation to power generation.
Page 24

Smiths Industries makes US purchase
Smiths Industries, the UK aerospace defence and healthcare group is paying $150m for Deltec, a US medical equipment manufacturer owned by Pharmacia of Sweden. Page 25

Germany's own health problems
In spite of the Germans' refusal to accept that British beef is safe to import, they have animal health problems of their own that are spilling into other European Union countries.
Page 25

Wide awake in Tel Aviv
Bourses throughout Europe were mostly sleepy, but the market in Tel Aviv dived 6 per cent, wiping out all of Sunday's 4 per cent gain. The Mishtanim index finished 10.48 down at 172.30. Back Page

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				Rises			
Asko Pf	950	+	30	CGIP	1212	+	46
Bilfinger	950	+	22	CCF	236.8	+	5.8
Degussa	512.7	+	10.7	Docks France	714	+	14
GEHE	580	+	10	Ecco	790	+	21
Porsche	790	+	18	GTM Entrepose	440	+	13.9
Falls				Falls			
DBV	487	–	13	SLIC	770	–	40

NEW YORK ($)				TOKYO (Yen)			
Rises				Rises			
Compaq	114¾	+	2¼	Kyodo Shiryo	500	+	25
IBM	62	+	1⅛	Falls			
Philip Morris	50⅝	+	1⅛	Hokuetsu Paper	705	–	21
Falls				Kikkoman	862	–	18
Pepsico	34⅛	–	⅛	Sumitomo Mar	882	–	29
Sprint	35⅛	–	¼	Teikoku Oil	755	–	17
Times Mirror	33	–	3	Tokyo Elect	3130	–	100

New York prices at 12.30pm.

LONDON (Pence)							
Rises				Sleepy Kids	78	+	6
BAA	949	+	11	Smiths Inds	470	+	18
Brit Aero	458	+	16	Welsh Water	520	+	9½
Brit Gas	289	+	6	Falls			
Coml Union	548	+	15	Adscene	252	–	18
EMAP	397	+	18	Intercare	69	–	8
Eastern Elect	579	+	7	Scapa Group	227	–	7½
Euro Disney	415	+	20	Unilever	975	–	22
Hewitt Wig	75	+	9				
Lloyds Bank	570	+	8				
Sedgwick	172	+	8				

Amsterdam hopes private companies will follow float of post and telecoms group

Dutch utility valued at Fl 23bn

By Ronald van de Krol in Amsterdam and Andrew Adonis in London

A first tranche of shares in Koninklijke PTT Nederland, the state-owned Dutch postal and telecommunications operator, will be floated next week at a price of Fl 49.75 a share, valuing the company at Fl 22.9bn ($12.3bn).

The price is slightly higher than many analysts had predicted and is just above the mid-point of the previously published indicative range of Fl 46 to Fl 52. Private investors will be given a discount of Fl 2.50 per share on up to 75 shares.

The flotation of 138.15m shares, representing 30 per cent of the government's 100 per cent holding in KPN, will raise Fl 6.9bn. An additional Fl 1.0bn could be generated if the banking syndicate exercises its 30-day right to sell a further 20.7m shares in case of heavy oversubscription.

Analysts had agreed that the flotation price would be Fl 50 or less, with many predicting Fl 48 or Fl 49. The government is aiming to sell half the shares in the Netherlands.

The price, announced yesterday, was based on a "book-building" exercise among institutional investors. Subscriptions opened yesterday and will close on Thursday afternoon. Trading on the Amsterdam Stock Exchange is due to start on Monday.

Mr Wim Kok, finance minister, said the transaction should give "a substantial stimulus to the strengthening and deepening of the Dutch capital market". The stock exchange hopes the example of KPN will persuade other privately owned Dutch companies to seek bourse listings.

KPN's total market capitalisation will make it the third largest stock on the Amsterdam Stock Exchange behind the two Anglo-Dutch groups, Royal Dutch/Shell and Unilever. The flotation, to be followed by a second tranche by the end of 1997, is the largest to take place in Amsterdam.

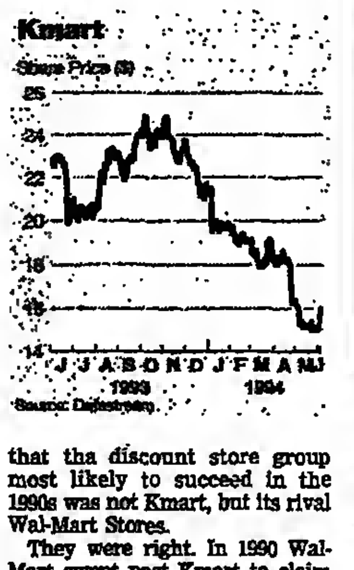
KPN's is the fifth European telecoms share offer in the past year, but the first of the privatisations of state monopolies to include a postal service.

The UK government will soon launch a consultation paper likely to advocate partial privatisation of the Royal Mail.

Up to four EU telecoms privatisations are possible in the next year, with the state operators of Belgium, Greece, Italy and Portugal preparing for sales. Legislation to privatise Deutsche Telekom, the German state telecoms and posts monopoly, is also on course, but a flotation is thought unlikely before early 1996.

Richard Tomkins explains why the US retailer has aroused shareholders' ire

Shareholders riled by Kmart discount record



Low prices were the foundation on which Kmart, the US discount store group, grew to become the world's biggest retailer, but it was never the intention that this reputation should extend to its shares.

Now, angry shareholders are signalling that they have had enough. At the company's annual meeting on Friday, dissident institutional investors delivered a humiliating blow to Kmart's management by throwing out its plans to create new shares tied to the earnings performance of its speciality stores.

Shareholder activism is nothing new in the US. Many big US companies – including another retailing giant Sears, Roebuck – have been forced into changes of direction as a result of shareholder pressure. Several – notably General Motors, International Business Machines, Westinghouse Electric, Eastman Kodak and American Express – have lost their chairmen or chief executives along the way.

But what has gone wrong at Kmart to provoke shareholders into such a public attack on the management?

Shortly after Mr Joseph Antonini became chairman and chief executive in 1987, he proclaimed in a newspaper interview: "My goal is to make Kmart the most respected dominant retailer in America."

Briefly, the company won that respect in 1989 when it overtook Sears, Roebuck to become the world's largest retailer. But already, analysts were predicting that tha discount store group most likely to succeed in the 1990s was not Kmart, but its rival Wal-Mart Stores.

They were right. In 1990 Wal-Mart swept past Kmart to claim the number one slot. In terms of sales, profits and share price, it has soared ahead ever since.

Analysts say that Wal-Mart is quite simply the better retailer. Kmart has too often had to sell off goods cheaply to get rid of them, or run out of things people want to buy.

But there is another factor. Kmart has baffled shareholders with its repeated changes of direction. In the 1980s, it decided to use the cashflow from general merchandising to enter speciality retailing. It bought or set up the PayLess Drug Stores chain, the Waldenbooks and Borders book stores, the Sports Authority sporting goods shops, the Builders Square home improvement stores and the OfficeMax office supplies chain.

Shareholder John Grant, 74, told executives at the annual meeting: 'So you're going to have a chance to feel pain. If we're not making any money why in the hell are we making millionaires?'

Confusingly, however, it also set about expanding its general merchandising activities by making forays into the hypermarket and membership businesses, first by taking a stake in the Makro hypermarket chain and then by buying the Pace Membership Warehouse operation. Both these ventures proved unsuccessful.

The basic strategy went awry when Kmart realised that its discount stores would not generate the expected surplus cash because they needed so much investment to survive the competition from Wal-Mart. But the refurbishment programme was abruptly scaled back in 1992, when Kmart considered re-entering the hypermarket business. Then in January this year, it said the results from its refurbished stores were so good that it was starting up the programme again.

Meanwhile, the PayLess Drug Stores chain disappointed and was sold last year. The performance of the other speciality retailers also fell short of expectations, but in January Kmart said it had no intention of selling them. Instead it came up with a plan to create a new class of shares in the companies and sell 20-30 per cent of them.

It was this plan that proved the last straw for some shareholders. After watching their company plunge to net losses of $947m last year, they wanted Kmart to get out of speciality retailing altogether and concentrate on putting its discount stores to rights.

One after the other, the big pension funds – among them, the College Retirement Equities Fund and the California Public Employees Retirement System – weighed in with announcements that they would vote against the scheme. On Friday, Kmart's management lost the vote.

So what happens now? Yesterday Kmart seemed dazed by the defeat, putting out a vague statement that spoke of "reviewing all alternatives and taking actions that are in the best interests of Kmart shareholders".

The failure of its plan to sell stakes in the speciality retailers will leave it short of $500m to $1bn, a sum badly needed for its store refurbishment programme. Options could include selling the 21 per cent stake in Coles Myer, the Australian retailer; a cut in the dividend; or another attempt at a partial spin-off of the speciality subsidiaries.

Alternatively, Kmart could do what the shareholders want and sell the snbsidiaries altogether. That would not be Mr Antonini's preferred option: but if it is a choice between losing the subsidiaries or his job, he may yet come round to it.

Portugal splits up electricity utility

By Peter Wise in Lisbon

Electricidade de Portugal, the state-owned power utility, is to be split into 10 separate enterprises as part of a restructuring. Electricity production and distribution would also be partially privatised, Mr Joaquim Silva Correia, EDP chairman, said yesterday.

EDP is to be unbundled in July. Separate companies will manage power production and the high-tension transmission network, and there will be four regional distribution companies and five service companies. A holding company will co-ordinate operations and strategy.

The new production company, Companhia Portuguesa de Producão de Electricidade, would privatise about 20 per cent of its capital on the Lisbon stock exchange by mid-1995, said Mr Silva Correia. Further tranches would later be privatised, but the state would retain a majority holding. The regional distribution companies would also privatise a minority of their capital over the medium term. All the other companies would remain wholly state owned.

CPPE will take over all of EDP's power plants, which are estimated to represent about half the company net assets of Es2,247bn ($13bn). Current production capacity of 7,200MW is to be expanded to 8,800MW by the year 2000. EDP is Portugal's second largest company by turnover and employees.

"Liberalisation and privatisation is aimed at introducing flexibility, rationality and competition into the power section, to provide consumers with lower prices and better services," said Mr Silva Correia. Electricity prices for industrial consumers in Portugal have been reduced by 31 per cent in real terms since 1987, but remain the third highest in the European Union.

Private power production began in Portugal in December when a consortium led by National Power of the UK bought a 300MW coal-fired unit from EDP. The plant will be expanded to 1,200MW. A group dominated by Siemens of Germany is building a 900MW natural gas-fired plant in northern Portugal.

Two state-appointed bodies are to be set up to regulate the electricity sector. "Portugal is too small and too dependent on hydro-electric production, which varies according to rainfall, to allow the market to decide," said Mr Silva Correia.

Sara Lee plans job cuts and takes $495m charge

By Laurie Morse in Chicago

Sara Lee Corporation, the US foods and personal products company, is to take a $495m after-tax charge against earnings in its fourth quarter to cover its worldwide restructuring.

The measures will include shedding more than 8,000 jobs and closing or consolidating hosiery manufacturing plants in the US and Europe.

Sara Lee's aim is to improve the performance of its flagging personal products division, which includes the hosiery brands Hanes and L'eggs; the knitwear company Champion; and underwear lines Playtex, Bali, Dim and Kiwi.

The charge will cover the cost of cutting Sara Lee's international workforce by about 6 per cent, or 8,280 employees. The company did not give details of which factories it plans to close, or where or when personnel reductions would take place.

The company forecasts that the savings in annual operating costs will build up to $250m by 1998.

Ms Ellen Baras, an analyst with Duff and Phelps corporation, said that restructuring had been expected, though not one so deep or extensive as was announced yesterday.

"What this does is to accelerate their plan to get their hosiery operations back on track," Ms Baras said.

Sara Lee's fourth quarter ends in July, with results dne on August 8. Analysts expect the company to report flat results, with growth tempered by overcapacity in the hosiery division.

Analysts said that the restructuring resembled similar successful efforts by Sara Lee to turn around performance in its bakery and packaged meat operations. "It's a growth-driven company," one analyst said. "The personal products division has been turning around more slowly than they would like."

Mr John Bryan, Sara Lee's chairman, said that while the company was "on course" and expected to report record sales and earnings for the fiscal year, its ability to "compete effectively in rapidly changing markets, both today and in the future, requires these actions".

The charge is equal to $1.03 per share and $732m before tax.

BAA doubles UK airport investment to £1.4bn

By Paul Betts, Aerospace Correspondent

BAA, the privatised UK airports group, yesterday announced plans to double capital spending to £1.4bn over the next three years after reporting a 13 per cent rise in annual pre-tax profits to £332m ($485m).

Revenues rose 15.3 per cent to £1.1bn in the year to March. The strong performance coupled with a proposed one-for-one scrip issue, helped push up BAA shares 11p to 949p yesterday.

Although income from airport charges was flat at £368m, reflecting the Civil Aviation Authority's price control formula, net retail income rose by 7.6 per cent to £328m with passengers spending on average 5 per cent more in airport shops.

The big increase in capital spending reflects the need to cope with expanding air travel. "By the turn of the century, we are expecting nearly a third more people to fly through our London airports than at present," said Sir John Egan, chief executive.

Passengers using BAA's airports increased by 5.6 per cent last year to 82m, with 71.5m using the three London airports of Heathrow, Gatwick and Stansted. Sir John said passenger traffic was continuing to grow by around 5.5 per cent this year.

He argued that Heathrow's planned Terminal 5 was "vital" for BAA. He added that recent estimates suggested that more than 180,000 jobs were generated by economic activity at Heathrow airport.

BAA said it was confident it could finance its ambitious investment programme from its own cash and borrowings. Mr Nigel Ellis, finance director, said: "We will ensure that we have the capacity to build Terminal 5 without the need for a rights issue."

BAA is proposing a final dividend of 11.25p, giving a total of 18p, a 12.5 per cent increase. Earnings per share rose 12.7 per cent to 47p.

The company is also proposing a scrip dividend to allow shareholders to take their payments in shares instead of cash.

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France warned on role in Meridien hotels sale

By Michael Skapinker, Leisure Industries Correspondent

Forte of the UK yesterday received a boost in its battle to win control of the Meridien hotel chain, as the European Commission eppeared to warn the French government against political interference in the sale.

Forte is pitted against Accor, the Frencb hotel group, for control of Meridien, which is 57 per cent owned by Air France. Forte's bid, supported by the Meridien management, values the chain at FFr1.8bn ($317m). Accor has submitted a bid which values lt et FFr1.6bn, with the cash to be provided by Prince al-Waleed of Sandi Arabia. The prince last week also announced he would huy up to 24 per cent of the Euro Disney theme park.

Air France has referred the rival bids to the privatisation commission, an independent body which advises the French government on privatisation issues. The referral was seen on both sides of the English Channel as evidence of strong pressure on Air France to sell Meridien to a French buyer.

The European Commission's warning appears in a letter to the French government carried in the Official Journal of the European Communities.

The letter contains the Commisslon's comments on the French government's plan to provide a FFr20hn capital injection to Air France.

It says: "The Commission needs to be assured that the government will allow Air France's management to run the companies of tha group solely according to commercial principles. . . . In this context, the Commisslon would refer particularly to the disposal of certain non-core assets."

Mr Gèrard Pèlisson, Accor's joint chairman, said yesterday Accor's bid sbould succeed, even on purely commercial grounds. He said: "In e commercial deal, price is only one element. It's never heen the only element. lt would be absurd to envisage it as the only criterion." He said Accor would be in e better position than Forte to assist Air France to become economically viable.

Finnish bank reduces losses

By Christopher Brown-Humes in Helsinki

Losses et Kansallls-Osake-Pankki, Finland's leading commercial bank, narrowed sharply to FM275m ($50m) from FM626m in the first four months, as it benefited from rednced credit losses, new husiness and lower interest rates.

However, it said it expected a full-year deficit of up to FM1bn before returning to the black next year. Last year, the bank made a FM2.66bn loss, in its third consecutive year in the red.

The recent improvement was attributed mainly to the drop in credit losses, from FM933m to FM537m. This would have been much higher had the bank not anticipated continuing problems by establishing a FM900m general provision at the end of last year. It used all but FM300m of the facility in the first four months.

Non-performing assets also showed a downward trend, falling to FM6.8bn at the end of April from FM7.5bn at the start of the year.

Income from financial operations rose to FM769m from FM666m. Deposit and lending activity increased, following the bank's acquisition of Savings Bank of Finland businesses, while lower interest rates cut the costs of funding non-performing loans.

Non-interest income fell 18 per cent to FM752m.

Last year's figure was belped hy sales of forest land and property. Expenses rose 1 per cent to FM1.14bn.

Mr Pertti Voutilainen, chief executive, said credit losses would weigh heavily on the Finnish banking sector in 1994 and 1995, despite an improving economy and falling sector bankruptcies.

Andersen bucks accountancy trend

By Andrew Jack in London

Five of the UK's "Big Six" accountancy firms experienced virtually stagnant fee incomes and cut staff sharply in the last year, according to figures released yesterday.

Only Andersen – comprising Arthur Andersen and Andersen Consulting – showed appreciable growth, with revenues excluding expenses up 11.7 per cent and an increase in both partners and other professional accountancy staff. The cbanges elevated Andersen, the UK arm of the only truly global eccountancy partnership, to the third largest firm in the country, compared with sixth place two years ego.

Among the six large firms, Touche Ross suffered most from recession, reporting the only absolute decline in revenues: by 0.8 per cent to £332.9m ($499.35m) including a slump in insolvency income.

Last year all the firms except Andersen reported absolute revenue declines and cut staff: reductions in staffing have continued, with Price Waterhouse cutting professionals by 409. It cut partner numbers by 67, although it said 60 were being reallocated to full-tima work in other countries.

The figures are compiled with comparable year-ends and exclude income from the Channel Islands. The Big Six firms audit the vast majority of UK quoted companies and are substantially larger than any competitors.

Grant Thornton, next in size, reported fee income down 6 per cent to £107m. BDO Binder Hamlyn, most parts of which are expected shortly to merge with Andersen, reported fees down 1.8 per cent to £106.5m.

BPC board postpones share flotation

By Maggie Urry and Paul Taylor in London

The London stock market retreat claimed another corporate victim yesterday when the planned flotation of Britisb Printing Company, the UK's largest commercial printer, was postponed.

BPC's board said it had "decided to delay its approach to the market until a time when the market environment is considered to be more predictable". It was now unlikely to seek a listing before the end of the year.

But there was no sign yesterday of other significant forthcoming issues being pulled. New issue experts believe there is still good demand for shares in well managed companies, if correctly priced.

Advisers to Eurodollar, Pillar Properties, Chesterton International, 3i and Exco, for instance, said they had no plans to delay issnes dne before the summer hreak. However, they were watching the market carefully and had time to postpone if necessary.

BPC announced its plans for a summer stock market debut – expected to value the group at around £250m ($375m) – early last month. The funds raised would beve been used to repay debt associated with the management huy-ont of the business from the late Mr Robert Maxwell's business empire in Janoary 1989, thereby eliminating ebout £25m a year in interest costs.

The group's high level of debt meant that a relatively small cut in the prospective issue price had e disproportionately large effect on the valne of the equity. It is thought Mezzanine Management, which led a second refinancing in mid 1992, bad objected to cutting the issue price.

BPC's postponement is the latest sign of trouble in the new issue market. One merchant banker said there could be other highly leveraged companies which must now be looking at refinancing debt rather than relying on a flotation to repay lenders.

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Philips leaves dark days behind

The semiconductor side is investing again, writes **Ronald van de Krol**

After years of cost-cutting, the semiconductor division of Philips, the Dutch electronlcs group, is spending again as it celebrates a return to profitability.

Philips is even considering a new chip factory, which could cost up to $1bn. If built, it would represent the largest single investment by the company since its financial crisis began in 1990.

A decision on the plant is expected later this year – but the fact that sucb e large investment is being contemplated underscores the change in fortunes at Europe's biggest semiconductor maker.

Even without the plant, Philips is aiming to double investments in fixed assets this year, to around Fl 600m ($325m) from Fl 300m in 1993, according to Mr Doug Dunn, who is about to mark his first anniversary as bead of Philips' semiconductor business. He was formerly managing director of GEC Plessey Semiconductors.

Expenditure on research and development is set to remain at 15 per cent of sales, although this will rise in absolute terms because of an expected sharp increase in the division's turnover during the next few years.

Besides stepping up investments, Mr Dunn says he wants to pursue swift sales growth, putting an end to the bad times of the early 1990s when the division concentrated on retrenchment.

Recalling his arrival at Philips' semiconductor division, Mr Dunn notes: "The organisation had been focused – quite properly, as you have to be for survival – not on growth, but on cost-cutting, cost-cutting and more cost-cutting."

Philips' return to heavier investment in semiconductors is a milestone for the division and a welcome turnround from 1990, when the group ebandoned pilot production of one-megabit static random access memory (S-Ram) chips. It did this to staunch the drain of cash into a project that had generated prestige bnt produced heavy losses.

Semiconductors returned to profitability in 1992. The rise became more pronounced in 1993 and, in the 1994 first quarter, continned to strengthen. Precise figures for semicondnctors, which are part of the components and semiconductors product sector, are not published.

However, the components and semiconductors sector as a wbole was the group's biggest earner in the first quarter, contributing Fl 372m of total group operating profit of Fl 695m. It edged out lighting as the company's traditional "cash cow".

Philips does not dispnte Dataquest's estimate that 1993 salss of semicondnctors amounted to around Fl 4.1bn. On profitability, Mr Dunn will say only that margins are clearly in double digits.

"When it comes down to income from operations, or profit, we are the best in Europe, and very close to the hest in the world," be says.

The businesa generates enough cash to pay for investments, including the possible chip fectory. However, Mr Dunn stresses that a completely new plant is not the only option, and he has yet to present any one plan to the group's board.

One alternative would be to increase capacity at Philips' plant in the Dutch town of Nijmegen, where there is still some vecant space.

Doug Dunn: 'We're feeling very pleased with ourselves'

This, bowever, would not produce as much extra capaclty as e new plant. Mr Dunn said Philips might also consider building the plant with other semiconductor makers, thereby spreading the cost. The plant could he huilt anywbere in the world, he added.

Philips currently has chip fectories in the Netherlands, Germany, Britain, France and the US, as well as assembly operations in several locations in Asia.

The division's return to profit is partly due to the general industry upswing. However, tbe rebound at Philips is also the result of an internal shake-up by Mr Dunn'a predecessor, Mr Hainz Hagmeister, who cut operating costs by Fl 500m a year and pruned unprofitable products, roughly halving Philip's range of semiconductors and integrated circuits to some 20,000 products.

Philips' strong growth in semlcondnctors has been achieved in spite of the company's absence from the market's two fastest-growing segments, memory chips and microprocessors destined for personal computers. This absence is e legacy of Philips' own withdrawal from PCs, plus the halt to S-Ram development.

The company, bowever, has profited from its strength in chips for computer peripherals, and in products for mobile communications. Another best-selling item is the "1-chip TV", an electronics component used in advanced television sets.

"We are still astonished by demand for this chip, and we still are struggling to meet our customera' expections and, indeed, we cannot meet their expectations in quantity terms," he says.

In spite of the division's improvements, there are still challenges to he met.

One goal is to develop expertise in memory chips with imbedded logic for signal processing, in keeping with the television set's development as a multimedia machine based on digital rather than analog signals. "We have e straight choice of developing these ourselves or doing a licence [deal]," he says.

Another priority, according to Mr Dunn, is to improve Philips' identification of marketing opportunities and to come up with solutions demanded by the marketplace.

"We're feeling very pleased with ourselves, hut we can do even better," be says.

CGIP forecasts profits growth for full year

By Alice Rawsthorn in Paris

CGIP, the French holding company that has been raising capital through disposals, is on course for a return to strong profits growth in 1994, according to Mr Ernest-Anotione Seillière, chairman.

Mr Seillière told shareholders at yesterday's annual general meeting that he expected to see "a significant boost to earnings" this year.

CGIP, which earlier this year raised FFr994m ($175m) from a convertible bond issue, recently reported flat profits for 1993, at FFr547m against FFr542m in 1992.

However, the board yesterday proposed an increase in the dividend, to FFr34 for 1993 compared with FFr32 for the previous year, as a reflection of lts confidence in tbe future.

Mr Seillière said this year's increase in profits would be partly due to "an improved contribution" from CGIP's interests, which include a 32 per cent stake in the Carnaud-MetalBox peckaging concern and 30 per cent of Cap Sogeti Gemini, the computer services group.

CGIP should also benefit from the capital gains on disposals, including the recent sale of control of Cedest to Holderbank, the Swiss cement group, for FFr3.6bn. The group has been raising new capital to help pay for last year's deal whereby it lifted its stake in CarnaudMetalBox.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool selling price £/MWh
0030	21.32	10.90	10.90
0100	11.15	10.75	10.75
0130	11.15	10.90	10.90
0200	11.15	10.95	10.95
0230	11.15	10.95	10.95
0300	11.15	10.95	10.95
0330	11.15	10.95	10.95
0400	11.10	10.95	10.95
0430	11.00	10.85	10.85
0500	11.00	10.85	10.85
0530	10.90	10.85	10.85
0600	10.90	10.90	10.90
0600	10.90	11.15	11.15
0600	21.81	11.20	11.20
0730	23.81	20.83	23.75
0800	24.10	21.30	24.23
0830	24.52	22.81	25.55
0900	26.42	22.58	25.61
0930	26.22	22.88	25.64
1000	26.75	22.70	25.66
1030	28.13	22.70	25.67
1100	29.70	22.72	25.69
1130	31.03	24.14	27.11
1200	38.98	24.16	27.13
1230	38.19	24.12	27.09
1300	38.44	24.07	27.02
1330	27.86	21.46	24.43
1400	26.25	21.44	24.37
1430	24.97	21.43	24.38
1500	24.84	21.43	24.36
1530	24.93	21.43	24.35
1600	25.82	21.44	24.37
1630	31.84	23.18	26.11
1700	41.02	30.24	33.19
1730	40.18	30.22	33.17
1800	36.85	30.19	33.13
1830	29.20	21.29	24.21
1900	23.90	20.84	23.77
1930	23.81	20.83	23.76
2000	23.81	20.08	22.89
2030	23.58	17.42	20.34
2100	36.82	17.42	20.34
2130	38.62	30.53	33.48
2200	38.62	30.53	33.48
2230	30.62	26.48	29.40
2300	23.55	17.31	20.23
2330	23.45	13.00	13.00
2400	21.81	11.10	11.10

INTERNATIONAL COMPANIES AND FINANCE

Argentina to sell off remaining 20% of YPF

By John Barham and Stephen Fidler in Buenos Aires

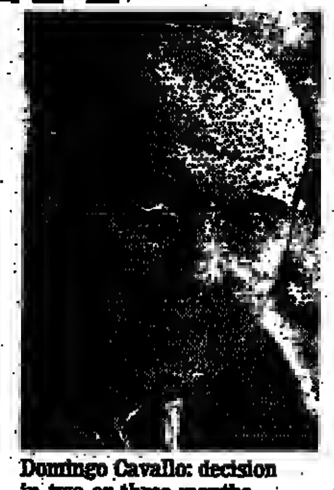
Argentina yesterday came out in favour of selling the government's remaining 20 per cent stake in YPF, the privatised oil company.

The deal is expected to raise about $1.8bn at current prices.

Mr Domingo Cavallo, the economy minister, said that the government was in favour of the sale with one condition. The sale of the stake is being heavily promoted by members of the governing Peronist party in Congress.

Mr Cavallo said: "It depends on the use the resources would be put to. If used for development of the interior, we would view it positively. If there was a one-off distribution of the resources as assistance, it would be an error."

YPF, Argentina's biggest company, was privatised in June last year in a $3.04bn local and international share offering. The government sold 45 per cent of YPF to investors, held on to a 20 per cent stake and sold the remaining shares to workers, provincial governments and pensioners.



Domingo Cavallo: decision in two or three months

YPF now has a market capitalisation of close to $9bn.

Last week members of Congress proposed selling the government's shares in YPF to finance construction of 100,000 houses in the run-up to next year's presidential election.

Mr Cavallo said the sale would be carried out through s public offering, but warned that debates in Congress and discussion over the use of the money meant that a final decision would probably only be taken in two or three months.

Domtar to spin off gypsum and wallboard businesses

By Robert Gibbens in Montreal

Domtar, the big Canadian construction materials, pulp and paper and packaging group, plans to spin off its gypsum, wallboard and decorative panels business with an initial public offer in the US and possibly Canada that could raise more than C$400m (US$289.8m).

The assets, valued at about C$980m, have already been put into a new 100 per cent-owned subsidiary called America North Industries (ANI), including 18 wallboard plants plus gypsum mining operations, located mostly across the US and also Canada.

Domtar ranks as North America's third-biggest wallboard producer. The business is recovering sharply with a rising US home building market.

ANI also includes Domtar'a highly-profitabls decorativs panels business.

The initial public offer will be made through Kidder Peabody and Salomon Bros as lead underwriters. Concurrently ANI will raise another US$125m via a public note issue.

Domtar could retain np to 40 per cent of ANI. It has already spun off its newsprint unit in a C$289m initial public offer. It wants to concentrate now on its communications and business papers unit, speciality fine papers and packaging.

It is trying to negotiate management buy-outs of two pulp mills in eastern Canada.

Cox climbs to third in US cable-TV league

Louise Kehoe examines the Atlanta-based company's $2.3bn deal with the media group Times Mirror

Times Mirror, the US media group, reached a definitive agreement over the weekend to sell its cable television operations to Cox Enterprises, a privately-held Atlanta-based cable television and publishing group.

Tha complex $2.3bn deal involves the exchange of stock and debt. It will make Cox Cable, tha Cox Enterprises cable unit, the third largest US cable-TV company, after Telecommunications and Time Warner, with around 3.1m subscribers.

Currently, Cox Cable is the sixth largest US cable-TV company with 1.8m subscribers. The acquisition will provide Cox with the economies of scale needed to compete aggrsssively in the emerging market for broadband interactive multimedia communications services to the home, aaid Mr James Robbins, president of Cox Cable.

Mr Robbins will also become chief executive of the merged operations. Through the merger, Cox will acquire cable TV systems in some of tha moat populous areas of southern California and Arizona.

The Cox-Times Mirror deal signals renewed investment interest in the cable-TV sector, which had cooled following the collapse of two planned telephone company-cable TV deals involving Bell Atlantic and TCI, and Southwestern Bell and Cox, earlier this year.

These agreements were scuttled by concerns about regulatory moves to cut cable-TV service prices by ths Federal Communications Commission.

"While we are not at all happy about the current state of regulation, we believe strongly in the long-term cost effectiveness of the broadband platform," said Mr Robbins. "That's what this deal is all about."

Under the terms of the deal, most of Times Mirror's shareholders will receive approximately 20 per cent of Cox Cable's stock, valued at about $932m. Times Mirror's largest holder, the Chandler Trusts, is precluded from holding shares in Cox. Instead, they will receive new preferred stock with an equivalent value in Times Mirror.

In addition, Times Mirror will borrow about $1.36bn and Cox will assume the debt while Times Mirror retains the funds.

The Cox-Times Mirror deal may encourage further consolidation in the cable-TV industry, analysts said. Several smaller cable-TV companies are said to be looking for buyers.

The cable-TV industry is being transformed by advances in technology that herald the emergence of "interactive" television services sucb as "video-on-demand", TV shopping and news and information services.

However, only the largest cable-TV companies can afford to upgrade their networks to provide such services. They also face potential competition from telephone companies which are also planning to transmit interactive TV services over their networks.

For Times Mirror the deal reflects s decision, reacbed late last year, to refocus on its publishing operations. The group owns the Los Angeles Times, Newsday, and several other US newspapers and magazines.

Analyets said that Times Mirror recognised that it would hsve to make substantial investments to upgrade its cable-TV operations to remain competitive and chose instead to focus on its "core competencies" in publishing.

"With this merger, we have committed our future to the content side of the information highway and have gained substantial resources to pursue our growth strategy," said Mr Robert Erburu, chairman, president and chief executive of Times Mirror.

Times Mirror aims to become a leading supplier of information and programming for digital media services, he said. The group plans to grow "through the application of new technologies and global expansion as well as building new positions in consumer multimedia", be declared.

As part of their agreement, Times Mirror and Cox Cable will form a partnership to develop and invest in cable television programming, the companies said. Times Mirror will manage this partnership.

A new Outdoor Life TV channel, previously announced by Times Mirror, will be funded by the new partnership. The companies have also agreed to explore s collaborative test of interactive information and entertainment services in Southern California.

Times Mirror said that it will reduce its stock dividend, following the completion of the deal, to "enable us to make very sizeable investments in promising information businesses".

NEWS DIGEST

Malaysia futures trade soon

A financial futures market trading three-month interbank interest rates could start in Malaysia as early as September, Reuter reports from Kuala Lumpur.

"Ws're working toward s September target," said the Kuala Lumpur Commodity Exchange. However, the Securities Commission, which will regulate the new market said: "It all depends on when the regulatory requirement for s single clearing house is in place."

The commission urged the Kuala Lumpur Futures Market (KLFM) and rival Kuala Lumpur Options and Financial Futures Exchangs (Kloffs) "to work harder at bringing about a single clearing house facility".

KLFM, run by the commodity exchange, will initially trade in the three-month Kuala Lumpur interbank offered rate (Klibor).

Kloffe, which is not expected to begin operations until late next year, will trade in stock index futures.

KLFM officials said it is possible they could set up s clearing house which Kloffe could join later.

GMA lifts stake in Dominion Mining

Gold Mines of Australia, the Perth-based mining company which launched s surprise all-share bid for the larger Dominion Mining group on Friday, said yesterday it had lifted its share stake in the target company to 9.9 per cent, writes Nikki Tait. The shares were bought at an average price of just under 44 cents each, costing GMA about A$17m (US$12.2m). The bid is worth around A$180m.

Aros to quit bonds market-making

Aros Fondkommission, the Swedish broker, plans to withdraw from market-making in Swedish government bonds, Renter reports from Stockholm.

It said it was withdrawing because of the difficulties of making a profit in recent turbulent conditions. Aros, owned by engineering group Asea Brown Boveri, is mainly involved in stockbroking, corporate finance and commercial paper programmes.

Aros, which began to make a market in state dsbt last autumn, said: "During the turbulent spring [debt] market it has been difficult for s new market-maker to reach a satisfactory profitability from this business."

In April and May the Aros made s positive result. It said it would continue to make s market in state T-bills and related derivatives as well as commercial paper.

Heavy losses for Italian bank

Banco di Sicilia, the leading financial institution on the island, has reported 1993 losses of L849bn ($502m), one the of the biggest annual losses recorded by an Italian regional bank, writes Robert Graham in Rome.

The bank is 14 per cent owned by the Treasury and the remainder is held by a foundation controlled by the Sicilian regionsl governmsnt. The losses, which compare with a break-even in 1992, are in line with estimates made by a Bank of Italy inspection last year.

The latter led to the resignation of several senior executives and an investigation by Palermo magistrates.

Finalisation of the 1993 accounts should pave the way for a L949bn capital increase funded by the Treasury and ths Sicilian regional government. In addition to the losses, ths bank has sccumulated donbtful loans of L4,200bn, equivalent to 7 per cent of the those in the Italian banking system.

Cameco proceeds with Kumtor project

Cameco, the big Canadian uranium producer, said it is proceeding with the development of the US$300m Kumtor gold mining project in the former Soviet republic of Kyrgyzistan in central Asia, writes Robert Gibbens in Montreal.

Cameco is an operator with a one-third interest. A two-thirds interest is held by state-owned Kyrgyzaltan. Start-up is due in 1997.

Kumtor has estimsted reserves of 16.6m oz of gold, of which 6.8m oz can be mined by open-pit methods.

Preussag ahead in opening half

Net profits at Preussag, ths diversified German steel, plant construction, energy and metals trading group, rose by DM6m to DM121m ($71.2m) in the six months to end-March. Turnover rose to DM11.1bn from DM10.9bn.

Foster's reorganises its brewing interests

By Nikki Tait in Sydney

Foster's Brewing, tbe Australian beer manufacturer which also owns Courage in the UK, yesterday announced a reorganisation of its brewing interests into four divisions based on geographical boundaries, and s reshuffle of top executive responsibilities.

The four divisions will be Australasis (taking in tbe Carlton and United Breweries business), North America (Molson Breweries), the UK/Europe (Courage), and s newly-created Asia division.

Mr Pat Stone, current CUB managing director, is quitting Foater's "to pursue privste interests". Mr Ted Kunkel, Foster's chief executive, will take responsibility for this division.

Mr Nuno D'Aquino, former director of operations and CUB and Internationsl, becomes chief operating officer of this division.

Head of the new Asian arm will be Mr Peter Williamson, previously director of sales and distribution at CUB. The Molson and Courage operations are largely unchanged.

Molson unit in SA deal

Diversey, the special chemicals arm of Canada's Molson brewing group, has bought the cleaning chemicals division of Chemrite in South Africa, writes Robert Gibbens in Montreal.

The deal gives Diversey a third foothold for expansion on the African continent. It already operates in Kenya and Egypt.

"South Africa is the foundation for our expansion across the entire sonthern cone of Africa," said Mr David Hull, Molson's senior vice-president for international operations.

He would not reveal the price but said local management would retain a minority stake in the business.

Ths Chemrite division has been making chemicals under licence from Diversey since 1981. Diversey operates in 45 countries with annual sales of well over C$1bn.

Swire chief gives pledge on ownership of Cathay

By Simon Holberton in Hong Kong

John Swire & Sons, the owners of Cathay Pacific, the Hoog Kong-based airline, hav· reassured senior airline management and staff that they have no intention of relinquishing control of the company.

In an unusual move Mr Peter Sutch, chairman of Cathay, has circulated e letter from Swire's chairman, Sir Adrian Swire, instructing him to "kill this fantasy". Mr Sutch said be hoped the letter would put this "dangerous notion to rest".

There have beeo persistent doubts among some aviation analysts about the willingness of China to abide by agreements and allow Catbay to remeln controlled by non-Chinese interests.

Cathay believes the 1984 Sino-British Joint Declaration and China's 1991 Basic Law for Hong Kong provide a secure future for the airline and its owners after China resumes sovereignty in 1997.

But the future ownership of Cathay has resurfaced recently as a concern of airline's pilots, currently engaged in pay negotiations. The pilots have alleged that Cathay management's pressure on airline costs is a prelude to a sell-off.

Sir Adrian Swire: said sell-off 'has never been considered'

"[This] is something entirely without foundation," Sir Adrian wrote in his letter to Mr Sutch on May 26. "It has never besn considered by Swires and it is an allegation which if it ever became accepted wisdom could do immense harm to the credibility of Cathay Pacific and to the future of all those associated with the airline, both employees and shareholders.

"It would be a tragedy if all the hard work that has been put in over the past 10 years to secure the post-1997 future of Cathay were undermined by irresponsible comment of this kind being reported in the press."

Sir Adrian said that Swire had given assurances to the authorities in Beijing that "we were long-termers in China and Hong Kong". Swire could not possibly be so unwise as to do that if its intentions were the opposite, he said.

After the 1984 Sino-British agreement Swire realised it had to give up some control over Cathay.

The first move was the listing of the airline on the Hong Kong stock exchange in 1986. It then encouraged mainland Chinese ownership of the airline – mainland interests now control 22.5 per cent of the company, with Swire Pacific owning 51.8 per cent.

Swire said yesterday that "everyone is very comfortable" with the current shareholding structure.

Overseas units behind sharp rise at Citic

By Tony Walker in Beijing

China International Trust and Investment Corporation (Citic), the Chinese investment conglomerate, sbarply increased profits last year to Yn3.35bn ($389.5m), compared with Yn380m in 1992.

Citic, which is rapidly developing its domestic and international business, attributed the improved performance to a bigger contribution from overseas subsidiaries and stronger domestic management.

The company, established in 1979 as e channel for foreign investment in China, continued in 1993 to increase international borrowings, raising $440m in the international debt markets.

This takes to $2bn the amount raised abroad in 18 bond issues. Among Citic's 1993 capital raisings was a $250m 10-year bond in the US.

Citic's assets at the end of last year stood et Yn82.8bn against current and long-term liabilities of Yn73.3bn. Citic managers say they are committed to rednclng indebtedness, bnt acknowledge this will not be easy in the present growth phase.

Mr Wei Mingyi, Citic's chairman, writing in ths company's annual report, commended the performance of Citic Australia which had been "profitable" for the past six years. He added that the Hong Kong-based Citic Pacific was one of the colony's fastest-growing enterprises, and Citic Industrial Bank doubled profits last year.

Mr Wei described 1994 as "crucial for China". Citic's priorities this year, he said, would be to improve management and expand its business in such new fields as finance, insurance, securities and fund management.

It would also push ahead with the development of the Daxie Island economic development zone off the the coast of Zhejiang province.

Citic plans to invest some Yn4bn in Daxie's infra-structure and is seeking a further Yn20bn from foreign investors.

Log-jam along the Rajang river

Many Malaysian timber groups plan to float, writes **Kieran Cooke**

The Rajang river, Malaysia's longest waterway, is a mile wide at Sibu, a small town not far from the coast of Sarawak. Old tugs chng by, pulling log booms to freighters waiting out at sea. Saw mills and plywood factories dot the river's banks.

Sibu is the unlikely-looking headquarters for some of the most cash-rich companies in Malaysia – those involved in ths timber business. Traditionally, these companies have been privately owned, tightly knit and secretive enterprises run by Chinese Malaysian families. But times are slowly changing.

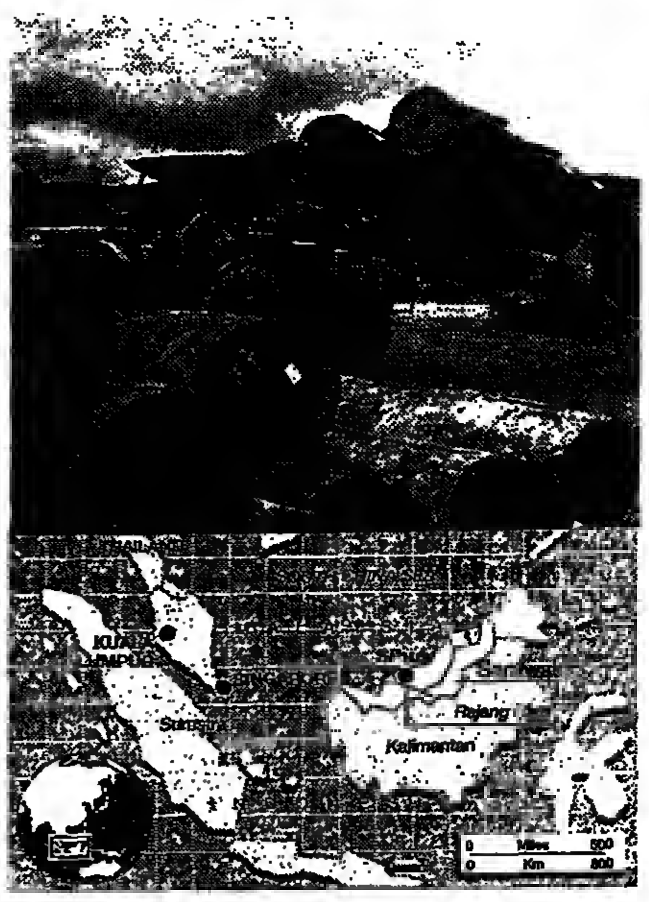
Sarawak accounts for about 80 per cent of the world's unprocessed tropical timber sxports. Pressurs by environmentalists and others has resulted in ths state making big cuts in logging, so companies that have grown fat on the timber industry are looking for other investment opportunities. Many are planning to put themselves on the stock market.

The Rimbunan Hijau group, based in Sibu, is among the world's biggest tropical timber companies. It is run by the family of Mr Tiong Hiew King, who is regarded as the king of Sarawak's timber tycoons. Various members of the Tiong family are said to control timber concessions in Sarawak amounting to abont 800,000 hectares, an area about 10 times the size of Singapore.

Rimbunan Hijau's overseas timber operations are even bigger. Together with several other Malaysian companies, the group has moved much of its logging operations to the tropical forest of Papua New Guinea, where it is said to have concession areas of nearly 2m hectares. Other log-hnngry Malaysien companies have been opening up operations in the Solomon Islands.

The wealth accumulated from the tropical timber industry is immense. Due mainly to reduced logging activities worldwide, prices of most tropical hardwoods have doubled – in some cases tripled – over the past 12 months.

Late last year, the Tiongs announced a M$1bn (US$387m), plan to go public through a reverse takeover of the stock



market listed Berjaya Textiles, part of the Berjaya group, one of Malaysia's most aggressive conglomerates.

Eager share traders have been licking their lips at the prospect of one of the country's biggest privately-held enterprises moving on to the stock market. Last year, the Kuala Lumpur market went up by 98 per cent. Some of the most actively-traded stocks were timber-associated and much smaller than the Tiong empire.

Mr Philip Ting, head of Sarawak Securities, the state's only broking house, says that timber tycoons like Mr Tiong feel that they will gain respectability by going public.

"The patriarchs who usually run these companies are also under pressure from e younger, foreign-trained generation who want to introduce more modern methods and nse the company's resources to diversify – not merely to cut down trees and sell them," says Mr Ting.

This process has already begun in the case of the Tiongs. The family is Malaysia's biggest plywood prodncer. It also owns e publishing business which includes the country's largest selling Chinese newspaper. The Tiongs have extensive property and plantation holdings and e 30 per cent stake in e medium-sized bank.

Among the family's overseas assets are a large cattle ranch in Australia, a timber mill in China and property in Singapore. A brother of Mr Tiong living in Singapore is said to use the family holdings to trade in global equities.

Analysts say that families like the Tiongs feel that going public will provide some insuletion from political uncertainties and from the pressures on their activities by environmental groups.

Sarawak ie a very timber-oriented state. The state minister for the environment is also head of one of the biggest timber companies. Mr Tiong has built strong alliances with leading local politicians.

The Tiongs also want to insulate themsslves from uncertainties overseas. The activities of Rimbunan Hijau and other foreign timber companies operating in Papua New Guinea have come under increasing official scrutiny.

Environmental groups say that the timber companies heve accumuleted too much power and are resisting official controls on the industry.

Another problem for the timber tycoons is that Kuala Lumpur's bureaucrats are taking a growing interest in the private concerns of the country's wealthy particularly those involved in the logging industry.

"Timber companies have been getting eway with too much," said one finance ministry official.

"Log export values have been understated or logs have been sold at a loss to other family members in Hong Kong before being re-exported to Japan or South Korea at great profit."

In recent months revenue officials bave mounted a number of raids on the offices of Sarawak timber companies.

Malaysia's Securities Commission has frequently said that companies wishing to go public must be prepared to divulge more about their activities.

A lack of transparency in some of Rimbunan Hijau's operations is thought to be one reason for an official delay in approving the Berjaya deal.

"These timber companies have very large resources but if they stay private there is only so much they can do," says Mr Ting of Sarawak Securities.

"They see other Malaysian companies building big conglomerates and want to do the same. The only problem is that e few family secrets have to be let out of the bag."

Higher margins help Email to A$87m for year

By Nikki Tait in Sydney

Email, the Australian white-goods and building-prodncts manufacturer, yesterday announced a 58.3 per cent increase in after-tax profits for the year to end-March, to A$87.8m (US$65.9m). The rise was achieved on operating revenues of A$1.8bn, up from A$1.47bn e year earlier.

The figures included a nine-month contribution from National Consolidated, tbe building-products and formed-metal business, which added around A$13.7m to after-tax profits. However, earnings per share still rose significantly, to 34.1 cents from 21.7 cents on a fully-diluted basis.

Email said that margins rose by one-fifth, due to productivity gains, cost reductions and some volume gains. Export sales also rose significantly.

Thailand's Imperial Hotels sold for $132m

By William Barnes in Bangkok

Thailand's Imperial Hotels Gronp has been sold to Mr Charoen Siriwattanapakdi, one of the country's richest men, in e deal which values the company at $132m.

The transaction is thought to rank among the largest in Thailand.

Imperial Hotels ran into financial difficulties after it opened the 1,400-room Imperial Queen's Park Hotel – Bangkok's biggest – two years ago at a time when the number of foreign tourists arriving was in decline following the military's suppression of pro-democracy demonstrations.

Mr Akorn Hoontrakul sold his family's 70 per cent stake in eight hotels for Bt33 a share. This shows e premium of some 10 per cent to 12 per cent over its net asset value, which includes debts of at least Bt3.5bn ($138m) but also e land bank and lucrative smaller city hotels.

Mr Charoen controls the privately-owned Thai whisky maker Sura Thip, which last year opened s joint beer-making venture with Carlsberg, the Danish brewer.

He also has banking and insurance interests.

● International Broadcasting Corp, the Thai cable television operator, confirmed that it is in talks with Mr Rnpert Murdoch's Star TV, AP-DJ reports from Bangkok.

An IBC spokeswoman said that the operator was planning to double its number of channels to 10, and that it was talking with Star TV ebout obtaining news and entertainment to fill its programming needs.

PUBLIC NOTICES

NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SUB-SECTIONS 8(5) AND 10(6) OF THE TELECOMMUNICATIONS ACT 1984

The Secretary of State hereby gives notice as follows.

1. He proposes to grant a licence under the Telecommunications Act 1984 ("the Act") to Racal Network Services Limited ("the Licensee") to run telecommunication systems throughout the United Kingdom. The licence will be for a period of 25 years subject to earlier revocation in specified circumstances.

2. The principal effect of the licence will be to enable the Licensee to install and run telecommunication systems throughout the United Kingdom. The Licensee will be able to provide a wide range of services but excluding mobile radio services and certain international services. The licence authorises connection to a wide range of other systems, including earth orbiting apparatus, allowing the provision of some types of international satellite service. On securing a share of 25% or more of the market in respect of particular services in an area specified by the Director General of Telecommunications, the Licensee may be obliged to make available those telecommunication services to all who reasonably request them within that area.

3. The licence will be subject to conditions such that section 8 of the Act will apply to it, thereby making each of the systems run under the licence eligible for designation as a public telecommunication system under section 9 of the Act. It is the intention of the Secretary of State to designate each of the Licensee's systems as a public telecommunication system.

4. The Secretary of State proposes to grant the licence in response to an application from the Licensee for such a licence because he considers that it will help to satisfy demands in the United Kingdom for the provision of services of the type authorised, will promote the interests of consumers in respect of the quality and variety of such services, and will maintain and promote effective competition between those engaged in the provision of telecommunication services.

5. He proposes to apply the telecommunications code ("the Code") to the Licensee subject to certain exceptions and conditions throughout the United Kingdom. The effect of the exceptions and conditions to the application of the Code is that the Licensee will have duties:

(a) to comply with various safety and environmental conditions, in particular (with certain exceptions) to install lines underground or only on such above-ground apparatus as is already installed for any purpose;

(b) to comply with conditions designed to ensure efficiency and economy on the part of the Licensee, in connection with the execution of works on land concerning the installation, maintenance, repair or alteration of its apparatus;

(c) to consult certain public bodies before exercising particular powers under the Code, including the local planning and highway authorities and English Nature, Scottish Natural Heritage, the Countryside Council for Wales, the National Trust and the National Trust for Scotland, as well as relevant electricity suppliers;

(d) to keep and make available records of the location of underground apparatus and copies of the exceptions and conditions in the licence to its powers under the Code; and

(e) to ensure that sufficient funds are available to meet certain liabilities arising from the execution of street works.

6. The reason why the Secretary of State proposes to apply the Code to the Licensee is that the Licensee will need the statutory powers in the Code to install and maintain the telecommunication systems which are to be installed and run under the proposed licence.

7. The reasons why it is proposed that the Code as applied should have effect subject to the exceptions and conditions referred to above are that they are considered requisite or expedient for the purpose of securing that the physical environment is protected, that there is no greater damage to land than necessary, that the systems are installed as safely and economically as possible, and that the Licensee can meet (and relevant persons can enforce) liabilities arising from the execution of works.

8. Representations or objections may be made in respect of the proposed licence, the application of the Code to the Licensee and the proposed exceptions and conditions referred to above. They should be made in writing by 12 July 1994 and addressed to the undersigned at the Department of Trade and Industry, Telecommunications and Posts Division, Room 2.78, 151 Buckingham Palace Road, London, SW1W 9SS. Copies of the proposed licence can freely be obtained by writing to the Department or by calling 071-215 1756.

Miss J M Knight
Department of Trade and Industry

7 June 1994

BUSINESSES WANTED

CONTRACTS & TENDERS

REPUBLIC OF SLOVENIA

MUNICIPALITY OF MARIBOB

Waste Water Treatment Concession

Notice of Request for Qualifications

Notice is given of the intent of the Municipality of Maribor to issue a request for qualifications (RFQ) in connection with the Municipality's waste water treatment project. Companies and consortia interested in qualifying to submit proposals are advised that the RFQ is expected to be available on 1 July 1994. The planned date for submission of qualification documents is 30 days thereafter.

Companies and consortia may requsst a copy of the RFQ from the Municipality by fax or post, and by making a non-refundable payment of US$200. The Municipality will acknowledge requests within three days of receipt. It is intended that the RFQ will be sent to requesting companies and consortia as soon as it is available, following receipt of proof of payment. Payments should be made by bank transfer to: Kreditna Banka Maribor, acc. no. 51S00-820-0001S 27S20-840-0234/0. SWIFT: KB MA SI 2x. The concession and project involve:

the design, construction, operation, maintenance and financing of a waste water treatment plant and main collectors in the Municipality of Maribor.

- The Municipal Assembly has passed a resolution indicating its intent to grant a concession for the project to a private concessionaire. In accordance with Slovenian law, issuance of the RFQ and commencement of the tender process requires adoption by the Municipal Assembly of a concession act, which is expected to take place in June 1994.
- The Municipality is preparing comprehensive tender documents with assistance from the European Bank for Reconstruction and Development (EBRD). The Municipality has requested the EBRD to consider extending a loan to co-finance the investment.
- The tender procedure is open to companies or consortia from any country.
- Following issuance of the RFQ and evaluation of qualification statements, the Municipality will select a shortlist of qualified companies or consortia, which will then be invited to submit tenders for the concession on the basis of a detailed Request for Proposals.

Waste Water Treatment Concession
Municipal Services Directorate, Municipality of Maribor
Slovenska 40, 62000 Maribor, Republic of Slovenia
Tel: +386-62-20080 Fax: +386-62-224815

INTERNATIONAL CAPITAL MARKETS

Fading investor interest hopes check rally in bunds

By Tracy Corrigan and Graham Bowley in London and Frank McGurty in New York

A nervous tone returned to the European government bond market yesterday, as prices fell back after an early rally.

German bunds ended half a point lower after a strong start, when hopes of returning investor interest faded. Dealers reported a spate of buying on Friday and early yesterday, but buyers disappeared when 10-year bund yields were pushed significantly below 7 per cent once again.

Mr John Hall, an international economist at Swiss Bank Corporation said that "below 7 per cent [for 10-year bonds], the attraction for end-investors isn't there".

The bund market had been encouraged by a recovery in the US market on Friday, and by comments by Bundesbank president Hans Tietmeyer, reported in a German financial newspaper, on Monday. Mr Tietmeyer said he hoped to see west German inflation fall below 2 per cent during the course of 1995.

GOVERNMENT BONDS

However, further buying failed to materialise, and German bond prices fell back again. The pattern of "poking a head above the parapet in the morning, only to find that the momentum wasn't there" is typical of European bond markets currently, said Mr George Magnus, an international economist at S.G. Warburg.

The German market continues to under-perform the US market, with German bonds now yielding just three basis points below 10-year US Treasuries. "Germany has decoupled from the US market, but in the wrong direction," said Mr Hall.

A spate of economic data due this week, including figures for GDP and unemployment, is unlikely to provide fresh direction, analysts said.

■ Gilts opened strongly on the back of the recovery at the end of last week but were dragged down in later trading by lack of demand.

"There is no conviction in the market," said Mr Simon Briscoe, UK economist at S.G. Warburg. "There was some buying in the morning but then no follow through."

The fall in German government bonds and data showing a stronger than expected rise in net lending to UK consumers added to the nervousness.

"The lack of confidence is so widespread that it is unlikely that events this week will provide any enpport for gilts," said Mr Briscoe.

"The political situation is a cloud on the horizon, the trade figures are a concern and there will have to be a marked slowdown in industrial production for those figures to help gilts," he said. The long gilt future was down $\frac{9}{32}$ point at $101\frac{7}{32}$ in late trading.

■ French government bonds ended slightly lower yesterday, dragged lower by profit-taking and the decline in Germany.

They marginally outperformed German bunds with a slight narrowing of the spread between the two in favour of French bonds.

Analysts said events in Germany were likely to continue to dominate for the remainder of the week, although French industrial production and inflation figures due later this week could provide support.

"The data could paint a picture of steady, non-inflationary growth which would be positive news," said Mr Julian Jessop, international economist at Midland Global Markets.

■ A 10 basis point cut in the Dutch special advances rate to 5 per cent failed to inspire the Dutch government bond markst, which ended slightly lower, undermined by the weakness in the German market.

■ US Treasury bonds yesterday extended Friday's gains with the market growing more confident in the conviction that monetary policy was on hold for the summer.

By midday, the benchmark 30-year government bond was $\frac{11}{32}$ higher at 88¾, with the yield dropping to 7.203 per cent. At the short end, the two-year note was $\frac{1}{32}$ better at $100\frac{1}{32}$, to yield 5.756 per cent.

The fresh improvement gave rise to speculation that the bond market's long slide, triggered by the Federal Reserve's policy shift four months ago, was drawing to an end. Traders were encouraged by a New York Times report which reinforced the view that the series of four interest rate rises this year hed succeeded in slowing the economy.

The newspaper quoted three of the Fed's five governors as saying that inflation was now in check. The three officials also said they did not consider Friday's big drop in unemployment as alarming in the context of other statistics pointing to slower economic growth.

Cofide seeks $100m from sale of shares in fund manager

By Antonia Sharpe

Cofide, the holding company of Mr Carlo de Benedetti, the Italian industrialist, is seeking to raise $100m through the sale of around 24m shares in Finanza & Futuro, one of the leading mntual fund management groups in Italy.

The offering, via Lehman Brothers, is equivalent to around 39 per cent of the company, which is 96.93 per cent owned by Cofide.

The sale will be made up of an international and domestic institutional offering of 17m shares and an Italian public offering of 7m shares. An over-allotment option of around 3.6m shares could also be made available in the event of strong demand. A further 1m shares will be offered to employees but this tranche will not be underwritten.

Finanza & Futuro's mutual funds under management increased by 14 per cent from the end of 1993 to L9,485bn at the end of April, making the group the fourth-lergest mutual fund group in Italy with e market share of 7 per cent.

The institutional offering will close on June 17 and the shares will be priced the day after. The retail offering will open on June 20 and is expected to close within one day. The shares will be allocated on June 27 and Consob, Italy's stock market regulator, is keen for the shares to start trading on Milan's Telematico screen-based system on the same day.

In past offerings, there was usually e grey market in the new shares for several days before they started trading officially on the Milan bourse.

Lehman Brothers expects the offer to appeal to investors keen to have an exposure to Italy's fast-growing mutual fund industry.

Sweden kicks off string of Canadian dollar issues

By Antonia Sharpe

A strong Canadian government bond market and continued demand from continental retail investors for short-dated Canadian dollar paper prompted a rush of Canadian dollar issues in the eurobond market yesterday.

The Kingdom of Sweden kicked off with e C$200m offering of 2½-year eurobonds which were priced to yield 20 basis points over the 7¾ per cent Canadian treasury due September 1996.

Lead manager Scotia McLeod said the December maturity on the eurobonds increased the efficiency of the currency swap which was linked to the deal.

Sweden is believed to have swapped the proceeds of the offering into floating-rate dollars. When the bonds were freed to trade, the spread was largely unchanged which confounded some criticism in the market that they were aggressively priced.

Société Générale is also believed to have swapped the proceeds of its C$100m issue of 3½-year eurobonds into floating-rate dollars. Joint lead manager BZW said the bonds, which were priced to yield 22 basis points over the interpolated yield curve, were selling well which reflected the issuer's strong following among retail investors.

INTERNATIONAL BONDS

BZW said although there had been quite a supply of Canadian dollar issnes recently, retail investors were still attracted by the yield pick-up of 200 basis points which Canadian treasuries offer over US Treasuries.

This could prompt more issuers to tap this sector. There were rumours yesterday afternoon that Daimler-Benz was looking to raise Canadian dollars.

The Province of Ontario disappointed syndicate managers by opting to raise C$600m through an issue of 10-year bonds in the domestic market where demand for long-dated maturities is said to be stronger than in the eurobond market.

The issue was priced to yield 58 basis points above 10-year Canadian treasuries which syndicate managers said was in line with the pricing which Ontario would have achieved in the eurobond market.

Mr John Madden, Ontario's assistant deputy minister of treasury, said ha was pleased with yesterday's issue but he edded that he was continuing to monitor other currencies on a daily basis with e view to launching a eurobond or global issue. Last week, the province was rumoured to be looking at a euro-yen deal.

● Moody's, the international credit rating agency, has downgraded to Ba3 from Ba1 the long-term foreign-currency debt rating of Turkey. The downgrading affects about $8.5bn of debt securities.

The downgrade reflects Moody's view that the Turkish economy will have to go through a significant adjustment in order to correct the country's fiscal and financial crises.

European Investment Fund formally set up

European Union finance ministers, meeting as the board of governors of the European Investment Bank, yesterday formally established the Ecu2bn European Investment Fund, AP-DJ reports from Brussels.

EIB said: "Following the preparatory work by the bank, the governors have now formally established the European Investment Fund, clearing the way for the fund to hold its constitutive general meeting next week."

The fund, originally agreed at the EU's summit in Edinburgh in December 1992, is designed to provide long-term loan guarantees to infrastructure projects.

It will also put money into small- and medium-sized companies – marking e first for the EIB which has a 40 per cent stake in the fund. The remaining 60 per cent shareholding is split equally between the EU via the European Commission, and a total of 50 banks and financial institutions.

"It will fill a gap in the guarantee arrangements currently available and will help lower the cost of finance," the EIB said. "Such guarantees are increasingly in demand because of the declining availability of pnblic guarantees."

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
BIGS No.2(a)	100	1.00#	69.25	Apr.2023	undisct.	+270(6¼%-23)	Lehman Brothers Intl.
DKB International(b)‡	60	(c)	100.25R	Jul.2004	0.30R	-	DKB International
YEN							
Nordic Investment Bank	15bn	3.125	100.0375R	Jul.1997	0.1075R	-	Nikko Europe
America Honda Fin. Corp.(d,e)★	10bn	(f)	100.20R	Oct.1997	0.20R	-	Merrill Lynch International
CANADIAN DOLLARS							
Kingdom of Sweden(d)	200	7.75	99.883R	Dec.1996	0.15R	+20 (7¾%-96)	ScotiaMcLeod
Société Générale(d)	100	8.00	99.60R	Dec.1997	0.225R	+22 (g)	Barclays de Zoete Wedd
ITALIAN LIRE							
RZB	150bn	9.625	99.85R	Jul.1999	0.125R	-	Banca Commerciale Italiana
HONG KONG DOLLARS							
Bank of East Asia(h)	1bn	(i)	100.00R	Jul.2001	0.45R	-	Merrill Lynch Secs. Asia
SWISS FRANCS							
General Electric Capl.Corp.★	100	5.25	102.00	Jun.1996	standard	-	Merrill Lynch Cap. Mkts.

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★Unlisted or private placement. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Brady Income & Govt. Secs. Launched early May, priced yesterday. b) Callable on 8.7.96 at par. c) 3-mth Libor +70bp to 8.7.96 and 9% fxd annual thereafter. d) Short 1st coupon. e) Callable on 6.10.95 at par. f) 3.1% to 6.10.95 and 3¾% thereafter. g) Over interpolated yield. h) Callable on 5.7.96 at par. i) 7¼% to 5.7.96 and 10.1% thereafter.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	102.9400	+1.900	8.56	8.66	8.92
Belgium		7.250	04/04	96.0100	+0.260	7.84	7.78	7.59
Canada		6.500	06/04	86.3500	+0.860	8.56	8.57	8.71
Denmark		7.000	12/04	92.8200	+0.550	8.03	7.75	7.52
France	BTAN	8.000	05/98	104.5000	-0.130	6.67	6.41	6.32
	OAT	5.500	04/04	87.2300	-0.200	7.36	7.18	7.11
Germany		6.750	05/04	98.3200	+0.590	6.99	6.88	6.60
Italy		8.500	01/04	91.3500	-0.110	9.92†	9.70	9.13
Japan	No 119	4.800	06/99	105.7970	-0.140	3.45	3.04	3.34
	No 157	4.500	06/03	102.0316	-0.270	4.16	3.73	3.96
Netherlands		5.750	01/04	[illegible]	-0.160	7.04	6.97	6.85
Spain		10.500	10/03	103.0000	-0.160	9.97	9.88	9.71
UK Gilts		6.000	08/99	91-23	-4/32	7.99	8.10	7.96
		6.750	11/04	88-00	-9/32	8.34	8.39	8.29
		9.000	10/08	104-30	-7/32	8.40	8.49	8.39
US Treasury *		7.250	05/04	102-16	+22/32	6.90	7.17	7.46
		6.250	08/23	88-13	+24/32	7.21	7.42	7.61
ECU (French Govt)		6.000	04/04	87.9100	+0.180	7.80	7.63	7.58

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime		Treasury Bills and Bond Yields			
Prime rate	7¼	One month	4.03	Two year	5.78
Broker loan rate	5½	Two month	4.13	Three year	6.10
Fed.funds	4¼	Three month	4.19	Five year	6.50
Fed.funds at intervention		Six month	4.66	10-year	6.91
		One year	5.13	30-year	7.21

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	117.86	117.42	+0.12	118.14	117.36	230,983	75,782
Sep	116.86	116.48	+0.14	117.16	116.40	34,227	61,746
Dec	116.00	115.56	+0.14	116.02	115.86	325	8,870

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jul	Calls Sep	Calls Dec	Puts Jul	Puts Sep	Puts Dec
116	1.54	2.20	-	1.02	1.65	-
117	1.02	1.70	-	1.40	2.12	-
118	0.66	1.14	1.30	-	2.62	-
119	0.30	0.94	-	2.78	3.12	-
120	0.15	0.46	-	-	-	-

Est. vol. total, Calls 21,388. Puts 31,881. Previous day's open int., Calls 266,826 Puts 230,659.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	[illegible]	93.19	-0.30	94.00	93.04	33118	36575
Sep	93.02	92.59	-0.30	93.36	92.42	141696	126636
Dec	92.42	92.17	-0.32	92.50	92.36	98	420

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jul	Calls Aug	Calls Sep	Calls Dec	Puts Jul	Puts Aug	Puts Sep	Puts Dec
9250	0.82	1.23	1.50	1.90	0.73	1.14	1.41	2.13
9300	0.58	0.97	1.24	1.53	0.99	1.38	1.65	2.36
9350	0.39	0.78	1.01	1.33	1.30	1.67	1.92	2.66

Est. vol. total, Calls 10218 Puts 11250. Previous day's open int., Calls 159470 Puts 157494

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	[illegible]	99.06	-0.04	99.38	99.03	187	650
Sep		98.38	-0.07	-	-	0	50

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	109.00	108.55	-0.36	109.50	108.10	10708	11748
Sep	107.90	106.58	-1.10	108.12	106.35	50779	59011
Dec	-	105.69	-2.00	-	-	0	0

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
10650	2.36	2.82	2.27	3.63
10700	2.12	2.61	2.53	3.92
10750	1.88	2.40	2.79	4.21

Est. vol. total, Calls 016 Puts 998. Previous day's open int., Calls 16717 Puts 14519

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	94.26	94.18	+0.53	94.76	94.07	61,898	100,547
Sep	93.87	93.67	+0.25	93.92	93.60	15,429	32,445

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	103-23	103-00	-0-09	103-26	102-23	4353	26410
Sep	102-10	101-23	-0-09	102-21	101-11	59711	109082
Dec	-	100-23	-0-09	-	-	0	67

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
101	2-54	3-18	2-08	3-34
102	2-20	2-51	2-38	4-05
103	1-56	2-25	3-10	4-43

Est. vol. total, Calls 6234 Puts 1171. Previous day's open int., Calls 41477 Puts 26528

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	85.20	84.72	+0.12	85.28	84.68	2,150	7,327
Sep	84.40	84.02	+0.02	84.62	84.06	895	2,111

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	105-23	106-14	+0-22	106-15	105-23	24,154	153,028
Sep	104-24	105-14	+0-20	105-10	104-24	597,567	247,291
Dec	104-14	104-27	+0-22	104-27	104-12	865	35,569

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	111.19	-	-	111.37	111.18	134	0
Sep	110.35	-	-	110.66	110.33	2844	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price indices UK Gilts	Mon June 6	Day's change %	Fri June 3	Accrued interest	xd adj. ytd		Low coupon yield June 6	June 3	Yr. ago	Medium coupon yield June 6	June 3	Yr. ago	High coupon yield June 6	June 3	Yr. ago
1 Up to 5 years (24)	122.72	+0.13	122.56	2.40	4.34	5 yrs	8.03	8.06	7.13	8.24	8.26	7.36	8.34	8.37	7.57
2 5-15 years (22)	141.89	+0.15	141.68	2.51	5.32	15 yrs	8.31	8.36	8.06	8.43	8.44	8.44	8.77	8.77	8.70
3 Over 15 years (9)	159.18	+0.18	160.09	2.24	5.25	20 yrs	8.27	8.30	8.28	8.43	8.44	8.54	8.66	8.59	8.75
4 Irredeemables (6)	179.79	+0.41	179.06	1.22	6.36	Irred.†	8.37	8.40	8.61						
5 All stocks (61)	138.56	+0.15	138.53	2.46	5.00										

Index-linked	Mon June 6	Day's change %	Fri June 3	Accrued interest	xd adj. ytd		Inflation 5% June 6	June 3	Yr. ago	Inflation 10% June 6	June 3	Yr. ago
6 Up to 5 years (2)	185.67	+0.01	185.65	0.90	2.53	Up to 5 yrs	3.73	3.72	2.97	2.76	2.75	2.25
7 Over 5 years (11)	174.67	+0.34	174.09	1.33	1.69	Over 5 yrs	3.77	3.79	3.57	3.59	3.61	3.39
8 All stocks (13)	174.93	+0.30	174.41	1.28	1.77							

Debentures and Loans	Mon June 6	Day's change %	Fri June 3	Accrued interest	xd adj. ytd	5 year yield June 6	June 3	Yr. ago	15 year yield June 6	June 3	Yr. ago	25 year yield June 6	June 3	Yr. ago
9 Debs & Loans (76)	129.89	+0.72	129.32	2.01	5.27	9.55	9.57	9.06	9.41	9.47	9.43	9.33	9.40	9.56

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	June 6	June 3	June 2	June 1	May 31	Yr ago	High*	Low*
Govt. Secs. (UK)	93.13	92.92	92.09	91.04	91.73	94.99	107.04	91.04
Fixed Interest	110.71	109.45	109.12	109.33	110.90	111.13	133.87	109.12

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	Jun 3	Jun 2	June 1	May 31	May 27
Gilt Edged bargains	114.7	110.3	100.4	85.8	83.0
5-day average	98.9	102.3	105.7	104.7	103.5

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on June 6

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	93⅛	93⅝	+⅞	7.54
Alberta Province 7⅞ 98	1000	102⅝	102⅞	+¼	6.60
Austria 8½ 00	400	106⅞	107⅛	+⅞	6.87
Bank of Tokyo 8⅛ 96	100	103¾	104	-⅛	6.48
[illegible]					
United Kingdom 7⅛ 97	5500	102⅜	102½	-⅛	6.31
Volkswagen Intl Fin 7 03	1000	96⅛	96⅝	+⅛	7.29
World Bank 0 10	2000	22¼	22¾	-⅛	7.23
World Bank 5⅞ 00	3000	91⅛	91⅜	-⅛	7.12
World Bank 8¾ 00	1250	111⅛	111⅜	+1	6.39
[illegible]					
Abbey Natl Treasury 8 00 £	1000	92⅞	93¼	+⅛	9.21
Alliance Leics 11⅞ 97 £	100	108½	109	+⅛	7.99
British Land 8⅞ 23 £	150	88½	89	-⅞	10.36
Denmark 8¾ 98 £	800	95	95¼	+¼	8.19
EIB 10 97 £	637	105⅜	105⅞		7.65
[illegible]					

Sections printed: U.S. DOLLAR STRAIGHTS; SWISS FRANC STRAIGHTS; YEN STRAIGHTS; OTHER STRAIGHTS; DEUTSCHE MARK STRAIGHTS; FLOATING RATE NOTES; CONVERTIBLE BONDS — [illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or –	1994 High	1994 Low
Shorts" (Lives up to Five Years)						
[illegible]						

Notes	Yield Int	Yield Red	Price £	+ or –	1994 High	1994 Low
10pc 2003	9.20	8.62	108⅞	+⅛	127⅛	105⅝
Treas 11½pc 2001-4	10.11	8.76	113⅝	+⅛	129½	111¼
Funding 3½pc '99-4	4.78	7.48	73⅛	+⅛	89⅞	71⅛
Conversion 9½pc 2004	8.91	8.52	106⅝	-⅛	125⅛	102⅛
[illegible]						
Over Fifteen Years						
[illegible]						

Notes	Yield (1)	Yield (2)	Price £	+ or –	1994 High	1994 Low
Index-Linked						
2pc '96 (67.9)	2.71	3.82	198⅛	—	203⅝	197⅞
4⅝pc '98‡‡ (135.6)	2.80	3.52	107⅛	—	113⅝	106⅛
2½pc '01 (78.3)	3.25	3.64	165⅛	+⅛	176⅝	164⅛
2½pc '03 (78.8)	3.35	3.66	162⅛	+¼	173⅝	160⅛
[illegible]						

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for September 1993: 141.9 and for April 1994: 144.2.

Other Fixed Interest

Notes	Yield Int	Yield Red	Price £	+ or –	1994 High	1994 Low
[illegible]						

= Tax free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

Emap in 'aggressive mode' for acquisitions

By Raymond Snoddy

Emap, the media and exhibitions groups, is planning to continue its twin policies of launching new magazine titles and expanding through acquisition.

Mr Robin Miller, chief executive, warned yesterday: "We are in an aggressive mode. Wa think this is a good time to acquire both at bome and abroad."

He added that by next June he expected Emap to be a somewhat larger company than it is today.

Mr Miller was speaking as the group announced e pre-tax profit rise of 8 per cent to £45.7m for the year to April 2 – a result that appeared to compare badly with last year's 56 per cent increase to £42.4m.

Ashley Ashwood

Robin Miller: good time to expand at home and abroad

This year's profit figure came after £9.7m in launch investment – the company launched 22 magazines during the year – and £2.5m in rationalisation costs. The underlying pre-tax figure represented an increase of 20 per cent.

Ms Lorna Tilbian, media analyst at SG Warburg, stockbrokers, gave Emap "full marks" with printing operations the only disappointment. She is sticking with a £58m forecast for the present year.

Mr Derek Terrington, publishing analyst at Kleinwort Benson raised his forecast from £56m to £59m.

The share price closed 18p higher at 397p yesterday.

Less is expected to be spent on launches this year between £6m and £7m.

Turnover rose 14 per cent to £362m (£318.3m). Earnings per share were 16.8p (17p) and the total dividend is being raised to 8.86p (7.9p) with a recommended final payment of 6.4p.

Sir John Hoskyns, the new chairman, said Emap saw a gradnal, bnt long-term improvement in advertising, which accounted for 50 per cent of the company's business.

"This coupled with rationalisation and launch activity in the last year will have a very positive impact," he said.

Consumer magazines maintained operating profits of £24m, but underlying growth was 19 per cent.

Operating profits of business communications, the combined magazine and exhibitions interests, rose by 33 per cent to £14.6m.

Newspapers were up 8 per cent to £8.1m and the radio division grew 25 per cent to £1m.

These figures exclude rationalisation costs.

● COMMENT

A superficial glance at the pre-tax profit level would suggest that Emap was starting to go off the boil. The group said yesterday that it was simply getting on with successfully launching new magazines.And although newspaper margins are at the low end by group standards, executives cen point to the fact that the Northampton Chronicle won an award as the fastest growing daily last year with the Crawley Observer winning a weekly title. It is just as well thet at a final closing price of nearly £93m Emap turned out to be the underbidder to Northcliffe Newspapers for the Nottingham Evening Post titles. Pre-tax profits of £58m will give Emap a prospective p/e of 18.

Hasbro turns up the heat in scrabble for Spear

By Peggy Hollinger

Hasbro yesterday turned up the heat in its battle for control of JW Spear, the games group, with a veiled threat of legal action against trustees controlling 24.9 per cent of the family-run group.

The US toy maker said the trustees were still bound by agreements to sell the stake, in spite of an eleventh hour bid by Mattel, the rival toys group.

Hasbro launched its £9 a share bid for Spear, maker of the word game Scrabble, 10 days ago, valuing the group at £47m. The trustees had agreed to sell their shares to Hasbro, as long as Spear did not publicly announce an alternative, higher bid in three working days.

On the last day, at just five minutes to midnight, Mattel jumped in with a £10 a share offer valuing Spear at £52m. The announcement was lodged with the Stock Exchange, while the Takeover Panel and both sets of advisers were informed of the offer.

Hasbro now claims this was not a public announcement and so the undertakings are valid. "All the steps were taken of getting ready to make a public announcement, but no public announcement was ever made," said Mr Francis Jackson of J Henry Schroder Wagg, its advisers and merchant bank.

Hasbro said it was considering its options regarding legal action if the trustees did not adhere to the undertakings. No response had yet been received from the trustees.

Spear rejected Hasbro's claim and said it had received professional advice that the Mattel offer had been validly announced. The board, with the exception of Mr Francis Spear, the chairman, was recommending Mattel's offer. Mr Spear originally backed Hasbro's offer, but has been silent since the Mattel bid.

The regulatory authorities appear to be divided on the issue raised by Hasbro. Under Stock Exchange guidelines, a public announcement is made by notifying the Stock Exchange and at least two national newspapers and two news wires.

However, Spear's advisers, the merchant bank Barings, are understood to have consulted the Takeover Panel on their interpretation of a public announcement. While the Panel would not comment on the contract signed by the trustees, it is believed to have defined a public announcement as notification to itself, the Stock Exchange, the company, Hasbro and both sets of advisers.

Judgment day over £1.8bn bid

Alison Smith on the battle surrounding Lloyds' offer for C&G

Few, if any, of those with e ringside seat for the legal fight between the Cheltenham & Gloncester Building Society and the Building Societies Commission over Lloyds Bank's agreed £1.8bn bid for C&G believe that the High Court's judgment will be the end of the affair.

The two days of hearings before Sir Donald Nicholls, the vice-chancellor, revealed fundamentally differant approaches by C&G and its etatutory regulator to the relevant provisions of the 1986 Building Societiee Act.

The gulf was summed up by Mr Jonathan Sumption QC, counsel for C&G: "There are a nmnber of features which are anathema to the Building Societies Commission but which to us are entirely proper features of the transaction."

In addition, the stakes for each side are so high that whichever falls at the first hurdle can scarcely afford to leave the matter there.

For C&G, Mr Sumption argued that the act was not a comprehensive code of regulation for the transfer of a society'e business to a successor company.

Counsel for tha Building Societies Commission, Mr Phillip Heslop QC, said that since societies were creatures of statute, their powers were limited to what legislation specifically stated or necessarily implied they could do.

Within these diametrically opposed approaches, three main points were at issue:

● could anyone except the society and its successor be a party to the transfer of its business?

● could a payment be made in relation to a transfer that was not expressly allowed by the relevant part of the act?

● assuming a third party could make a payment, could this benefit members of a society of less than two years' standing, who would not be allowed to share in a distribution of funds under a transfer agreement which clearly fell within the legislation?

Mr Sumption said that the draft transfer agreement in the Lloyds/C&G transaction included terms agreed between the society and its successor company which covered all the issues the legislation required. The fact that the same matters had been agreed with others as well did not mean that the agreement did not comply with the 1986 act.

The commission's argument, however, was that in referring to an agreement between the society and its successor on the terms of tha transfer, the legislation meant that nothing integral to the transfer could be agreed with anyone else.

As for the question of a payment not expressly allowed by the act, Mr Sumption argued that if Parliament had wanted to control the actions of a third party, it would have had to create a more elaborate scheme than it had done.

For example, the legislation did not provide any sanction against a third party which handed out benefits to a society's members. Debates in Parliament on the bill had not mentioned third parties, and no-one could know what Parliament might have thought of third-party payments.

However, Mr Heslop argued that the detailed provisions about what societies could do – even to the extent of explicitly allowing them to acquire premises and make loans for mobile homes – showed the act was based on having to give societies express powers to carry out activities.

The consultation and discussion on the proposed legislation before it finally became law reinforced the argument that the idea of transferring a society's business to a successor was intended to be only a limited exception to the previous blanket prohibition on such a move, he said.

It is on the two-year restriction on payments that the dispute is most critical. Tha terms proposed by Lloyds would involve cash payments of up to £10,000 to all saving and borrowing members of the society, as well as depositors, employees and pensioners.

The voting thresholds set in the legislation for members of a society to approve a transfer are so high that, without support from at least some of the 27 per cent of C&G'a shareholding members who are of less then two years' standing, there is no prospect of achieving approval.

Mr Sumption admitted that Parliament had intended the act to prevent members' taking decisions on tha basis of short-term financial gains and to prevent speculative flows between societies on rumours of takeovers.

He argued, however, that the primary defence against this was the high voting thresholds themselves.

Though the act prevented relatively new members benefiting from a distribution of a society's funds, it did not necessarily follow that Parliament thought this restriction ehould apply when "new" money from another organisation was being handed out, he added.

For the Commission, however, Mr Heslop said Parliament could not have intended that a transaction would be able to avoid having to comply with the regime set out in the act, simply by a relatively modest structuring of a deal to involve a third party.

Such easy circumvention of what were intended to be safeguards to prevent the destabilising of the building society movement by speculative flows would mean that compliance was "optional", he said.

Given such deep divisions, Sir Donald's judgment, to be given tomorrow at 5pm, looks likely to trigger an application for leave to appeal. The losing side may seek to take its case all the way to the House of Lords.

Even when the courtroom drama has finished, that will not necessarily be the end of the argument.

If the commission loses, the Building Societies Association will rush round to the Treasury to urge the reinstatement of the two-year restriction on payments to society members.

Mr Brian Pitman, Lloyds' chief executive, has already said that the whole deal would have to be looked at again if C&G lost.

In the meantime, there would be hundreds of thousands of C&G customers who might feel aggrieved that the cash windfalls they had been expecting had been taken from them.

"I imagine many customers might want to write to their MPs, complaining," one senior figure on the Lloyds/C&G team mused.

Whatever the outcome, the battle that began in private discussions between the society and the commission looks set to end in the Commons, not in the courts.

Exceptional puts London & Metropolitan in the black

By Simon Davies

London & Metropolitan, the property daveloper that was forced into a second financial restructuring last year, yesterday announced a pre-tax profit of £10.2m for 1993, compared with a loss of £19.6m incurred in the previous year.

Profits were buoyed by a £20.2m exceptional item as a result of the restructuring, primarily from the write-back of provisions.

However, the company remains hampered by its sole overseas project, the Pont Royal resort in southern France. L&M made a £7.7m provision against its share of the cost of the project, reflecting disappointing sales during 1993.

The directors said the company was in better shape following its latest restructuring, a debt-for-equity swap. Debts were down by £54m to £73.3m, and negative shareholders funds amounted to £4.93m, against a negative £60.33m in 1992.

Mr Chris Harris, chairman, said: "We've got the company back to a position where we can now take advantage of opportunities coming out of the improvement in the UK market."

However, its problems are not over. The company was brought to the brink by its involvement in the collapsed consortium to redevalop County Hall, and its joint venture development of Pont Royal remains critical.

L&M is carrying £45m of floating rate debt from its exposure to the French project, and sales last year did not cover interest costs.

In the UK, business was said to be looking better. L&M is project manager for Value Retail, which plans a number of US-style factory outlet shopping centres.

The first, in Bicester, will open in spring 1995 and Mr Harris said it was 25 per cent pre-let, with a further 50 per cent at an advanced stage of negotiation.

L&M has an option to take a 15 per cent stake in the company.

Overall, the group's UK operations contributed operating profits of £2.5m for the year, while interest costs were were reduced from £12.46m to £4.79m.

Utility Cable £50,000 in loss at interim stage

Utility Cable, the company formed via the reverse takeover of the JP Fitzpatrick companies by Baillie Gifford Technology in February, incurred a pre-tax loss of £50,049 for the six months to February 28.

The results compare with a previous deficit of £16,129 and reflect the historic activities of the company investing in advanced technology companies. They do not include trading results of the Fitzpatrick companies.

The year end has been changed and the current financial period will cover the 18 months to August 31, which will include a full six months' trading contribution from the Fitzpatrick companies.

The directors intend to pay a final dividend for the 18 month period.

Utility lays ducting for cable TV franchise holders.

BAA plans £1bn Heathrow outlay

By Paul Betts

The bulk of BAA's future capital spending will go to Heathrow, the world's largest international passenger airport, which will absorb £1bn of the planned £1.4bn expenditure over the next three years. Capital spending totalled £681m in the last three years.

Gatwick airport will absorb £214m, while spending programmes at BAA's Scottish airports will involve £107m with a further £70m at Stansted over the next three years.

Capital programmes include the £300m Heathrow Express rail link; a new baggage screening system costing more than £100m to install throughout the company's airports; expansion and modernisation of departure lounges and check-in halls as well as airport retailing facilities involving about £20m-£30m for each lounge; a new flight connection centre between Terminal 1 and Terminal 2 at Heathrow, and preparatory work for Heathrow's new £800m-£900m Terminal 5 project.

If BAA wins the Terminal 5 planning inquiry, it will face continued beavy spending after 1997 when construction of the terminal would begin.

● The airports group expects only a modest impact on its business from the opening of the Channel Tunnel with a loss of about 2m passengers in 1995-96 when tha tunnel becomes fully operational.

EFM Income net asset value expands

EFM Income Trust, the split capital investment trust, reported net asset value per ordinary share of 50.7p at April 30, against 45.9p a year earlier, after providing for the repayment cost of the zero dividend preference shares. The figures for the zero preference shares were 48.8p (43.7p).

Total net assets showed an 11.2 per cent advance against 13.8 per cent for the benchmark FT-SE-A All-Share Index.

Net revenue for the the year to the end of April was £688,000 (£755,000) for earnings per share of 4.59p (5p). A reduced final dividend of 1p is proposed making 4p (4.875p) for the year.

To reflect the name change of its manager it is planned to change the name of the trust to Edinburgh Income Trust.

Electricity's poor relation makes good

Michael Smith on why National Grid's results today are of more than passing interest

In pre-privatisation days the National Grid was considered within the electricity industry to be a poor relation to power generation. No-one will be feeling sorry for it today.

The company, which operates the high voltage transmission system in England and Wales, is this morning expected to report pre-tax profits for 1993-94 of between £570m and £580m, against £533m in the previous year.

As an unlisted company, previous results have attracted only passing interest from the City. This year is different.

The 12 regional electricity companies (recs) which own the Grid this spring appointed Kleinwort Benson, the investment house, aod Herbert Smith, the legal firm, to advise on its future.

Few doubt that this will lead to anything other than a flotation, which will give National Grid a valuation of at least £4bn.

So what kind of a company is likely to be floated and what are the implications for the regional electricity companies?

National Grid's attraction is that it has a cast iron future with almost as strong guarantees of profit growth.

Transmission is a monopoly business in every country in Europe except Finland and, witb development costs so high, it will remain so.

In England and Wales demand for electricity is likely to grow, albeit at low percentage rates. The main constraint on tbe Grid's profits growth therefore, is regulation, but even this presents no great threat.

Whereas the regional power companies face a potentially severe regulatory review to take effect from next April, the Grid's pricing formula on its main transmission business is in place until 1997.

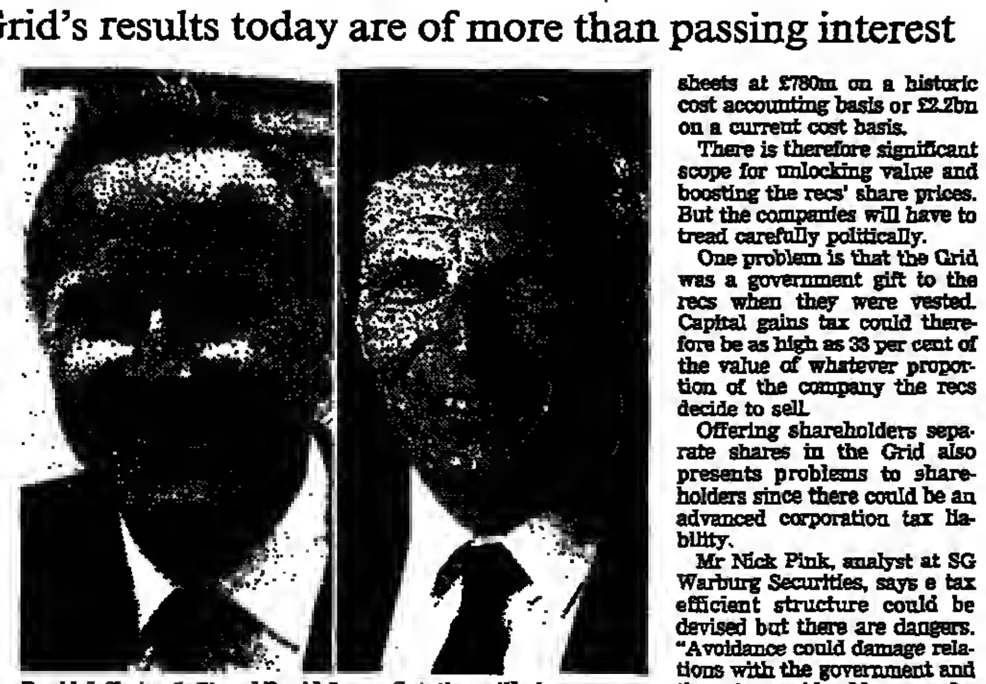
It allows the company to raise transmission prices by inflation minus 3 per cent. "Since transmiseion revenues account for 80 per cent of revenues, this relatively benign regulatory settlement emphasises the value of the Grid," says Mr Nigel Hawkins, Hoare Govett analyst.

While transmission will continue to be the main revenue source, the company is growing its non-regulated income by investing in transmission projects overseas and establishing its subsidiary, Energis, as a third telecommunications force.

POWER SHARING: National Grid's owners

	%
Eastern Electricity	12.5
East Midlands Electricity	8.4
London Electricity	10.5
Manweb	5.5
Midlands Electricity	9.2
Northern Electricity	6.5
Norweb	8.2
Seeboard	7.3
Southern Electricity	11.0
South Wales Electricity	5.4
South Western Electricity	6.3
Yorkshire Electricity	9.2

The government holds one special share



David Jefferies (left) and David Jones: flotation will give National Grid at least £4bn valuation

The beauty of Energis is that it can be built on the back of the electricity transmission system. The fibre optics can be wound round existing earth wires or incorporated into new ones.

In spite of the more than reasonabla prospects for the Grid's businesses, the company is held back by a complicated management structure.

The recs own the National Grid Company indirectly through their investments in National Grid Holding Company. The chains of command are not always clear.

Some rec chief executives were irked when Mr David Jefferies, Grid Company chairman, announced the appointment as chief executive last year of Mr David Jones, who held the same post at South Wales Electricity.

While Mr Jones is well regarded, some of his former colleagues thought Mr Jefferies had not consulted widely enough and, in any case, should have looked outsida tbe industry to fill the post.

Some recs feel they are not involved enough in decision making on overseas investment and Energis.

On the other band, running a business wbere 12 forceful owners with differing objectives want a say can be damaging.

Talks this year with AT&T, the US telecommunications concern, about the company taking a stake in Energis were hampered through disagreements between the recs on a suitable price. So far no link has been formed and AT&T has backed away from taking an equity slice.

Sorting out the management structures will be among the chief considerations for Kleinwort Benson. Its over-riding task, bowever, is to maximise the value of the Grid to recs.

While the City estimation of the Grid is at least £4bn and possibly £5bn, the company is valued in the rec balance sheets at £780m on a historic cost accounting basis or £2.2bn on a current cost basis.

There is therefore significant scope for unlocking value and boosting the recs' share prices. But the companies will have to tread carefully politically.

One problem is that the Grid was a government gift to the recs when they were vested. Capital gains tax could therefore be as high as 33 per cent of the value of whatever proportion of the company the recs decide to sell.

Offering shareholders separate shares in the Grid also presents problems to shareholders since there could be an advanced corporation tax liability.

Mr Nick Pink, analyst at SG Warburg Securities, says e tax efficient structure could be devised but there are dangers. "Avoidance could damage relations with the government and there is considerable scope for unflattering media coverage."

Such considerations will influence the recs' decision on how much of the Grid to sell, with anything from 25 per cent upwards possible in one or more tranches.

They will also have to decide if they want to sell as separate entities some of the non core businesses like Energis or pump storage facilities for generating electricity.

The final uncertainty is timing. Labour's threat before the last election to "take control" of the Grid still weighs heavily on the recs. If the shares are widely distributed, it would be more difficult for a future government to effect renationalisation.

That means a flotation before 1997 is a virtual certainty. Within the National Grid, next spring is considered the best bet.

NEWS DIGEST

Beverley losses up to £2.67m

Beverley Group, tbe engineering concern, said yesterday that it had completed its rationalisation programme and was now planning a placing and open offer to fund future growth, both organically and by acquisition.

Details were expected to be announced shortly.

Rationalisation costs of £1.77m for the 1993 year pushed pre-tax losses up from £276,000 to £2.67m.

Turnover of continuing operations fell from £12.84m to £7.97m.

After eliminating an £828,000 technical adjustment arising from a write-off of goodwill, losses per share worked through at 7.63p (0.21p).

The directors eaid the restructuring had provided en opportunity to create more added value through the provision of high quality products and services.

However, despite the benefits now showing through, they said the group would not show significant improvements on 1993 until the second half of the year.

Harrington Kilbride shares fall further

Shares in Harrington Kilbride, the specialist publisher, fell a further 10p to 58p yesterday as news of its £3m additional provision for bad debts was digested.

The provision, mainly for dehts from eastern Europe where the company has expanded considerably in the last two years, turned the 1993 pre-tax profit of £2.42m into a loss and has put the proposed final dividend of 8.2p in doubt.

The move was prompted by the collection of 1993 debts being slower than expected.

A detailed review of its trade debtors is being undertaken.

Accounts will not now be presented to the annual meeting being held this Friday. An extraordinary meeting is to be convened as soon as possible.

The shares fell 66p on Friday.

Abbey National chief's bonus

Abbey National may have had a good year in 1993, but Mr Peter Birch, the bank's chief executive, did even better, with a £62,400 performance-related bonus to add to his salary.

Back in March, Abbey surprised analysts with an increased dividend pay-out policy that reflected the optimism that came with a 25 per cent increase in pre-tax profits.

However, Mr Birch just managed to top this. The latest annual report reveals a 28 per cent increase in his pay package taking it up from £257,566 to £329,179.

Camellia nearly doubled at £21.6m

For 1993, Camellia, the investment concern with interests which include fine art and tea plantations, nearly doubled its pre-tax profits from £11.5m to £21.6m from continuing operations' turnover of £192m, against £171.9m.

Earnings per share were 268.44p, compared with 114.24p, while the dividend for the 12 months is lifted from 29p to 31p with a final payment of 18p.

London Clubs shares rise to 21p premium

Shares in London Clubs International, owner of the Ritz Club and five other London casinos, rose to a premium of 21p over the 200p flotation price on the first day of dealings on the Unlisted Securities Market yesterday.

Last month, the group placed 16.38m ordinary shares with institutions, with 4.09m subject to a clawback to meet retail demand through intermediaries.

The placing raised £27.5m net of expenses, which is being used to pay off bank debt incurred under the management buy-out from Grand Metropolitan in 1989.

Simon Engineering completes US sale

Simon Engineering has completed the sale of Simon Hydro-Search to Tetra Tech, of Pasadena, California, for $6m (£4m) in cash dependent on net assets on completion.

Proceeds will be used to reduce indebtedness, the directors said.

Both Simon Hydro-Search, whicb had sales of $18.5m and trading profits of $800,000 for 1993, and Tetra Tech are environmantal consulting, engineering and remediation companies.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Acal	fin	4.5†	Aug 1	4.2	6.75	6.3
BAA	fin	11.25	Aug 2	8.75	18	16
Blacks Leisure	fin	1.5	Oct 7	1.5	2.25	2.25
Camellia	fin	18	July 12	17	31	29
EFM Income Trust	fin	1	Aug 2	1.275	4	4.875
Emap	fin	6.4	Aug 5	5.825	8.86	7.9
Intercare	int	0.7	Aug 22	0.7	[illegible]	3.5
Northern Invstrs	fin	3.5	July 25	3.5	5	5.5
Treatt§	int	1.2	Oct 7	1.1	-	4

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock.

Smiths pays $150m for US medical group

By Daniel Green

Smiths Industries, the aerospace and healthcare group is paying $150m (£100m) for Deltec, a US medical equipment manufacturer owned by Pharmacia of Sweden.

The deal will add more than one-third to Smiths' £181m annual sales in healthcare.

It will also result in a book profit of SKr600m (£50.6m) to Pharmacia, which is scheduled to be privatised this month.

Deltec, based in St Paul, Minnesota, makes portable infusion pumps and injection ports. In 1993, it had sales of about $100m and operating profits of more than $13m.

The cash will come from Smiths' existing resources. The company will pay $98m for Deltec's equity and repay inter-company debt of $35m.

The balance of $17m will be paid as Deltec's non-US offices change hands.

This is Smiths' second healthcare acquisition in less than two years. In October 1992, it bought Intertech Resources, the US medical equipment company, for $110m.

Intertech had annual sales of less than $50m and Smiths said yesterday that "there are more reasonable prices being asked for medical companies these days".

Deltec has more than 80 per cent of its sales in the US and Smiths said that the non-US market for the company's products "remains to be exploited".

Two thirds of Deltec's sales are of a pump that allows a patient receiving medication to leave a hospital. The pump continues to supply the patient without the need for direct nursing care.

Although each pump costs more than $3,000, and must be fitted with Deltec's proprietary madication-containing cassettes, there are greater savings to be made from not having the patient in hospital, said Smiths.

"The wearing of the pump provides doses of medicines to people who do not need a hospital bed. The driving force in the US [healthcare business] is getting people out of hospital beds," said the company. Patients occupying beds typically cost hundreds of pounds a day.

For Pharmacia, the disposal represents a move to concentrate on the core business of drugs manufacture.

Tha company has accumulated a disparate group of businesses through acquisition.

The sale of Deltec has been planned since February, said Pharmacia.

The company will keep the rights to sell Deltec's products in parts of Europe hut not in the UK, Germany and France.

Blacks Leisure recovers to £928,000

By Caroline Southey

Blacks Leisure Group, the camping, sports and fashion company,returned to profit with a pre-tax figure of £928,000 for the year ended February 26, against losses of £10.3m, which included £7.68m for goodwill already written off.

The retail division performed well as an aggressive national marketing strategy pushed sales up 20 per cent to £45.2m (£37.7m). Retail operating profits rose to £2.7m, against losses of £991,000.

Within the retail division, the Blacks Camping chain traded well. A new store was opened in Aberdeen and the company plans to open a further six this financial year.

Turnover in the distribution division was down from £27.4m to £15.1m, pushing down group turnover from £65.1m to £60.3m. Group operating profits from continuing operations rose to £1.28m (£9,000) on turnover of £58.5m (£53.6m).

The distribution side incurred operating losses on continuing activities of £516,000 (£1.58m profits) on turnover of £13.4m (£15.9m).

Mr Simon Bentley, chairman and chief executive, said a major cause of this fall in turnover was the deterioration in the performance of the company's Fila distribution operations.

Although the American-designed sports fashion footwear remained popular in the US, there was a sharp drop in UK sales.

The company has also had difficulties with its own soccer brand, Quaser. This reported a loss, mainly due to poor sales in the UK, which accounts for 60 per cent of sales. However, the brand continned to sell well in foreign markets.

The board is recommending an unchanged final dividend of 1.5p per share, making a same-again total for the year of 2.25p.

Earnings per share stood at 2.4p compared with losses of 31.8p.

GrandMet may raise £75m from property disposals

By Vanessa Houlder, Property Correspondent

The upturn in the property market has prompted Grand Metropolitan, the food and drinks group, to put 28 development and investment properties up for sale.

The portfolio, which is expected to fetch about £75m, mostly consists of properties that are no longer used by GrandMet businesses.

The portfolio includes three Oxford Street buildings, including a building occupied by Virgin Megastore, close to Tottenham Court Road, which used to house the Sportsmans Club casino.

Mr Bob Williams, chairman and managing director of Grand Metropolitan Estates said that the sale was in line with tha group's strategy of concentrating on its core food and drinks business.

The portfolio covers shops, offices, industrial properties and development sites situated around the country and includes the former Truman Brewery in London's Brick Lane.

Intercare interim results hit by changes in Dutch legislation

By Reg Vaughan

Dutch legislative changes have hit interim profits of Intercare, the USM-traded supplier of healthcare products, prompting an 8p fall to 89p in the share price yesterday.

At the pre-tax level, profits declined by 20 per cent to £1.34m in the half year to end April, reflecting a 41 per cent drop in the mobility division contribution to £430,000.

Mr Robert Shepherd, non-executive chairman, said that the legislation changes had led to a downturn in scooter business and trading was likely to continue to be affected in the second half.

For the group as a whole, he believed the first half pattern of trading was likely to continue for the rest of the current year. In 1992-93 group profit was £4.31m.

Group turnover rose from £17.7m to £20.5m, while earnings per share came out at 3.25p (4.1p).

The interim dividend is unchanged at 0.7p.

A natural buyer – at first sight

Kenneth Gooding on RTZ's hunger for coal after its US deals

Trevor Humphries

Bob Wilson: looking for wholly-owned, world-class, long-life, low-cost, competitive mining assets

The world's biggest mining company, RTZ Corporation, at first sight saams a natnral candidate to buy some of the British Coal mines put up for sale by the government.

After all, RTZ has made its strategic interest in this unfashionable fuel very clear. It spent $1.3bn (£900m) on two coal businesses bought in rapid succession last year.

These purchases were in the US, and making it that country's fifth largest coal producer.

They ware followed hy a $233m deal for another US coal business, completed in April.

To the uninitiated investor, the push into US coal did not look like perfect timing.

It came just after President Bill Clinton had promised both new energy taxes and to clamp down more firmly on any activites which damaged the environment.

But from RTZ's point of view there could not have been a better time to pounce. Coal was out of favour, and therefore cheap in relation to other minerals.

And the cost was nowhere near as great as it first appeared.

RTZ's biggest US acquisition was Nerco, tha floundering natural resources company, previously 82 per cent-owned by PacifiCorp.

RTZ quickly sold Nerco'a oil and gas end gold mining interests.

So its net outlay for Nerco and the second acquisition, Cordero Mining, bought from Sun Company, was in fact only $480m.

And these assets then contributed £36m towards RTZ's total net profits of £287m last year, even though Nerco was included only from February onwards and Cordero did not contribute until the end of May.

April'a purchase of Colowyo Coal from the WR Grace group also involved some fast financial footwork.

Although it was worth $233m to Grace, it cost RTZ only $13m cash.

This was hecause RTZ did not buy some long-term coal contracts, hnt instead these were used for non-recourse financing to give Grace $220m before the deal was completed.

So what makes US coal so attractive?

According to Mr Boh Wilson, RTZ's chief executive, it is not only cheap, but also offera long-term, if modest, growth prospects.

Before Mr Clinton's election the consensus was thet elec-

tricity consumption in the US would grow by about 2 per cent a year, and that would provide 2 per cent growth for coal used by the utilities.

Mr Wilson suggests there will also be important changes within coal demand as tha US clean air legislation bites deeper during the rest of this decade.

Coal with a high sulphur content from Illinois and the Appalachian Mountains is expected to be displaced hy low-sulphur coal from the Powder River Basin which straddles Montana and Wyoming. "So low-sulphur coal demand could grow at better than 2 per cent a year for a long time to come," says Mr Wilson.

Nerco gives RTZ two open pit, steam-coal mines in the Powder River Basin and a half share in a third.

Cordero added another open pit mine nearby. More than 60 per cent of production from these mines is secured by long-term contracts, and 95 per cent of the contracts run into the next century.

Mr Wilson says the mines "are about the lowest-cost in the world", with coal typically costing only $4 a tonne to mine.

This is because the deposits are thick and very little waste has to be removed before the coal can be extracted by cheap, open-pit methods.

The anag is that Powder River coal has to be transported by high-cost railways up to 1,200 miles to reach customers.

Also, Powder River coal might be "clean" but it usually contains only a moderate amount of anergy compared with Appalachian material.

However, last month's acquisition, Colowyo, is a surface mine in north-west Colorado which adds a higher-energy coal to RTZ'a US portfolio, enabling it to offer a hroader range of products. RTZ's annual US coal output should rise from 37m tonnes last year to 42m tonnes in 1994.

These acquisitions fit RTZ's declared philosophy of wanting a portfolio of wholly-owned, world-class, long-life, low-cost and internationally-compatitive mining assets.

RTZ executives privstely point out that it seems unlikely anything British Coal has to offer will meet these criteria.

Nevertheless, the group has gone through the pre-qualification process, paying for details of each of the five British Coal regions up for sale. The cost at £15,000 each is negligible. and, as one RTZ executive said: "How can we decide that we don't want to bid until we see the details?"

Analysts suggest it is more likely that RTZ will bid for more coal in Latin America or South Africa. Mr Wilson said recently that the group would look for opportunities to buy into the internationally-traded coal business or add some value by putting some international coal trading companies together.

Previous articles in this series appeared on May 30, June 1, June 2 and June 3. Further articles will appear later.

NEWS DIGEST

UK side helps Acal to £3.65m

Pre-tax profits of Acal, the agent for international manufacturers of electronics and industrial controls, expanded from £3.15m to £3.65m for the year ended March 31, on turnover of £78.5m, against £68.9m.

Earnings per share were up at 16p (14.6p) while a final distribution of 4.5p (4.2p) lifts the total dividend to 6.75p (6.3p).

The directors said that the rise in profits was primarily because of the improvement in the UK where underlying sales grew more than 25 per cent with profits being doubled.

Restructure surplus lifts UK Land

The inclusion of a £43.7m surplus this time arising on restructuring meant UK Land, the property investment and dealing group, turned in a pre-tax profit of £45.02m for the year ended March 31. This compared with a £14.9m loss.

The pre-tax figure also included a £961,000 profit (£13.7m loss) on termination of operations. Profit before exceptional items came to £414,000 (£1.19m loss), and earnings per share were £10.13p (£58.99p losses).

Net assets of the company, which owns the Elephant & Castle shopping and office complex in London, came to 15p (£225.06p deficit).

Northern Investors asset value up 13%

Northern Investors, the venture capital investment trust, saw a 12.9 per cent increase in net asset value over the year to March 31, from 295.6p to 333.6p per share.

Although dividend income from the company's venture capital assets increased by 17 per cent, a fall in short-term investment rates led to a decline in total revenue. The pre-tax figure fell from £284,000 to £249,000 and earnings per share from 5.6p to 5.1p.

The proposed final dividend is maintained at 3.5p to give a reduced total of 5p (5.5p).

Prime People loss increases

Prime People, Manchester-based specialist training group, reported a pre-tax loss up from £63,000 to £117,000 for the half year to end April.

Mr Peter Hearn, chairman and chief executive, said it was anticipated that the group would continue to make a loss.

The US business has been closed and the trading loss in respect of this discontinued business was £51,000.

Turnover of the USM-traded group was down from £696,000 to £420,000. Losses per share were 0.2p (same).

Treatt 17% ahead at £756,000

Improved performance at its Florida operation helped Treatt, the USM-traded essential oils supplier, hlender and distiller, to increase pre-tax profits by 17.4 per cent from £644,000 to £756,000 for the six months to end-March.

Turnover was up from £7.2m to £8.2m, with a 70 per cent improvement at Florida Treatt.

Earnings per share came out ahead at 5.35p (4.45p) and there is an increased interim dividend of 1.2p (1.1p).

Glyn Genin

Hugo Bovill, managing director, reported good result in Florida

Bakyrchik Gold reserves confirmed

Following a study of reserves the definitive ore resources of Bakyrchik Gold have been reduced slightly to 31.4m tonnes producing a total of 8.6m ounces. That compares with earlier estimates of 31.6m tonnes and 9.3m ounces.

However, tha measured reserve category has almost doubled from 655,760 ounces to 1.26m ounces.

The study confirmed expectations that it was capable of producing 1m tonnes of ore a year with gold output of about 250,000 ounces a year from the stage II sulphide plant.

Stage II is likely to be sanctioned once gold has been produced through the stage I plant, which is expected to be commissioned within the next few weeks, and revenues have been received in foreign currency.

The study results were given wheu the company, which came to the market in August to exploit a gold mine in Kazakhstan, announced losses of $635,000 (£423,000) for the period from incorporation in April to March 31.

Allied London Props makes £11.3m buy

Allied London Properties has bought two properties in Glasgow for £11.3m through a new subsidiary, Allied London & Scotland Properties, of which 20 per cent is held by Barrie Clapham, a Glasgow-based property developer and investor.

The properties, a light industrial, office and storage development and an office, leisure and warehouse building, have a rent roll of £1.07m and have been valued at £11.3m.

HSBC enhanced scrip take-up

HSBC Holdings said the reference price in respect of the enhanced scrip dividend alternative to the 1993 final cash dividend is 728.87636p. Of the 69.1m shares to be issued under the alternative, the cash offer by NatWest Markets has been accepted in respect of 17.8m shares and bids have been procured for 55 per cent of these.

McKechnie in £5m expansion

McKechnie, the Midlands-based plastics and metal components group, has agreed to acqnire Plastic Engineers (Holdings) for a cash consideration of £5.1m.

Plastic Engineers, a maker of plastic components for the information technology industry, is a private company with 3i as a minority shareholder.

It has assets of about £1.2m and expects pre-tax profits of about £865,000 for the 12 months to October 31 1994.

Middlesex well ahead of forecast

Shares in Middlesex Holdings edged ahead ¼p to 4p after Mr Phil Edmonds, the chairman, said that the $1m (£600,000) gross trading profits warranted to be provided by Mr Masoud Alikhani, the chief executive within a 12 month period, had been exceeded well ahead of forecast.

Mr Edmonds, the former Middlesex and England cricketer, said the company, which is engaged in metals and oil trading, continued to earn profits at a level the directors regarded as "vary satisfactory".

Sleepy Kids signs further Budgie deals

Sleepy Kids, the independent producer of children's animation has signed a further 17 licensing deals for "Budgie the Little Helicopter", the character created by the Duchess of York.

Nine of the deals are in the UK, four in the US, two in Canada and the first in Australia and Germany. Also the first Budgie series is dua to be screened during the second half of 1994 hy television broadcasters in Australia, France and South Africa.

Total number of worldwide merchandising licences is now 58.

Life Sciences acquires Hybaid

Life Sciences International, the laboratory equipment company headed by Sir Christopher Bland, has acquired Hybaid for a total of up to £15.9m.

The initial consideration has been satisfied by £6.5m in cash, £200,000 in loan notes and £3.2m in new ordinary shares. Hybaid had net cash balances of £900,000 on completion. A further amount up to £6m may be payable if Hybaid attains certain targets.

Hybaid develops equipment for molecular hiology. In 1993 it made pre-tax profits of £811,000.

Oil prices ease back as demand begins to slacken

By Robert Corzine

Oil prices weakened yesterday amid signs that demand from refiner: was beginning to ease after a period of strong buying in preparation for the summer holiday season in the US.

The price of light crude futures in New York fell below the pyschologically important $18 per barrel level. That helped to undermine the price of the benchmark Brent Blend, which was quoted at around $16.25 a barrel in late London trading, down from its close last Friday of $16.37.

Earlier the International Energy Agency left unchanged its demand forecasts for the remainder of the year. It was tba first trime in recent months that it has not revised the forecasts upwards due to strong demand in the US.

But the forecast for full year demand in the industrialised countries of the Organisation for Economic Co-operation and Development of 39.7m barrels a day remains well above the 39.1m b/d recorded last year, the IEA said.

In its latest monthly oil market report the Paris-based IEA also reported that refining margins in the OECD countries were being aroded as "... average product prices rose less strongly than crude prices" in April and May.

'No ANC threat' to gold rights

By David Blackwell

South Africa's naw government will not nationalise the gold mines or threaten mineral rights, according to Mr Marcel Golding, an ANC member of parliament.

Mr Golding, who spent 10 years as a mining union official, told the Financial Times World Gold Conference in London that the damage caused by apartheid should not be underestimated. "The vote will not immediately remove all the warts." But gold mining remained the backbone of the South African economy, employing 380,000 workers. Millions more depended directly or indirectly on the industry.

"The challenge of transition is to ensure that living standards are enhanced," said Mr Golding. While the industry had moved away from confrontation, further co-operation between the government, mining companies and the unions would be needed.

Mr Clem Sunter, chairman of the gold and uranium division of Anglo American Corporation of South Africa, said that in 1985 the company had written a fairy tale which it called The High Road, specifying four conditions for the continuing health of the mining sector: a comprehensive negotiated political settlement; free enterprise as the basis of the economy; the devolvement of political power to local authorities; and the end of economic sanctions against the country.

"Our scenario team is cock-a-hoop about recent developments," he told the conference. "So far so good. South Africa has become a very attractive place to invest."

South Africa, still the biggest gold producer in the world with 32 per cent, had produced 44,000 tonnes of gold from the Witwatersrand basin since mining began. Throughout history the world has produced only 120,000 tonnes.

Mr Sunter said that while most of the big fish in the basin had been caught, there were probably a few more. However the depth of the seams meant that it was expensive to establish a new mine.

South Africa's annual output peaked at 1,000 tonnes in 1970. It bad been steady at 600 tonnes for the last few years, a level it should be able to maintain for several years. "Virtually the whole industry is viable given the current price and rand-dollar exchange rate."

Mr Chris Stals, governor of the South African Reserve Bank, said that the pressures on foreign reserves during tha run-up to the change of govermement had forced the country to reduce its gold reserves and gold swap portfolio.

The country now intended to rebuild its foreign reserves. "From our own experience with the management of the country's international reserves in the years of South Africa's economic isolation, we have learned the value of gold in the official foreign reserves for a country in distress. We believe it is also a good investment for a country at peace with the rest of the world."

Mr Jean Zwahlen, a member of the governing board of the Swiss National Bank, said gold was virtually tha only asset that did not constitute someone else's liability. The SNB holds 2,600 tonnes, equivalent to 370 grams per capita – the highest level in the world. It was unlikely even in the long-term to sell.

Mr Zwahlen also ruled out more active management of the holdings, describing the return on loans, swaps and options as "low and volatile."

The fear of large-scale net sales by central banks, which together with international institutions have 35,0000 tonnes in their vaults, had receded, Mr Zwahlen said.

The conference is being held in London to coincide with the tercentenary of the Bank Of England. Mr Rupert Pennant-Rea, deputy governor, suggested that the time was ripe for an annual survey of physical gold trading to provide a figure for the aggregate market turnover. "It is a pity that no data are available for turnover, not just here in London but in all the various physical centres," he said.

Germany's political stone-throwing on BSE

The row over 'mad cow disease' is not based only on concerns for consumers' health

FARMER'S VIEWPOINT

By David Richardson

Agriculturally speaking the Germans are living in a glass house but are still throwing stones. For in spite of their continuing refusal to accept that British beef is safe to import – a policy that is widely recognised as being based more on politics than on science – they have animal health problems of their own that are spilling over into other European Union countries.

Bovine spongiform encephalopathy has already been identified in some German, and for that matter French, cattle so it is not exclusively a British problem. The campaign to ban British beef that has been waged by Mr Horst Seehofer, the German health minister, in the face of the acceptance of the Commission and all other EU member nations that it poses no health problem, is embarrasing some of his colleagues and his countrymen.

With a clutch of regional and national elections in various parts of Germany scheduled for the next faw months, a political gesture in apparent protection of green-minded German consumers was, perhaps, predictable. But the German agriculture minister, Mr Jochen Borchert, is said to have accepted privately that the new EU measures to ban the use of ruminant offal in ruminant animal feeds across the union – which hava been in force in the UK, incidentally, since 1988 - "should be sufficient".

Meanwhile the health minister's stance is damaging sales of domestically-reared beef in Germany. Some consumers, apparently, have been put off eating any beef whatever its origin, much to the disgust of German beef farmers and, one suspects, their agriculture minister. The fact that beef exports from Britain to Germany were worth a mere £1m last year puts the matter into perspective.

Meanwhile Germany has an animal health problem of its own that is threatening to get out of hand. Since last autumn many herds of German pigs have succumbed to classical swine fever – a highly contagious disease rated in the top category of seriousness by EU veterinarians.

EU policy is to try to eradicate the disease as quickly as possible wherever it breaks out and, to this end, affected herds are slaughtered, the carcasses destroyed to avoid spreading the disease via the meat and compensation payed to tha farmers concerned.

During the last quarter of 1993 and the first quarter of this year 1.08m German pigs were slaughtered under the scheme. This was equivalent to 4 per cent of the national herd, about 3.5 per cent of normal German sales of pigs during the period and just under 1 per cent of total EU pig sales. In Lower Saxony, where the majority of cases occured, some 12 per cent of the region'a pigs were slaughtered. In spite of the slaughterings, however, outbreaks of classical swine fever are still appearing across Germany.

There are, perhaps, a number of reasons, for this failure to control the disease. One may be that not all infected carcasses have been destroyed. German consumers, faced with rising pork prices, demanded that the meat should not be wasted. In response the authorities decided to render that believed to be safe for use in processing, a decision that may have been influenced by the fact that the German allocation of EU funds for fighting such animal disease had run out. And this compromise may have allowed the problem to spread. In any event, Teutonic efficiency appears to have failed in this case.

Classical swine favour has now spread from Germany into Belgium, whose densely populated pig herd is at risk. There too the EU slaughter and compensation policy is being implemented.

Needless to say, British pig farmers are becoming concerned that the disease will cross the Channel and affect their herds. It would not be the first time such a thing had happened – the last casa of classical swine fever in a British herd was thought to have been caused by a continental tourist throwing the remains of his salami sandwich into a field in which pigs were grazing.

Other diseases that have affected British pigs over the years and cost British pig farmers dear, have been traced back to continental sources. Aujeskys Disease, for instance, cost millions of pounds in lost production. A UK producer-funded and ultimately successful eradication scheme raised £27m to complete the task.

There is no need to spell out what farmers' feelings would be should it once more be introduced from across the Channel.

Swine Vesicular Disease and Blue Ear Disease have all reached Britain's shores via similar routes. And now the EU has relaxed border controls there is a real fear among all British livestock farmers – not just those with pigs – that herds and flocks may be decimated and incomes destroyed by some disease or other crossing the water or coming through the Channel Tunnel. The risks are exacerbated by the virtually open borders between eastern Europe and the EU. It is well-known that all sorts of nasty diseases originate from behind what was the Iron Curtain.

The UK minister of agriculture, Mrs Gillian Shephard, recently tightened inspection rules on imported livestock and the House of Commons Agriculture Select Committee is investigating health controls on imported animals. All of which is intended to reassure British farmers and consumers. But, it might taka only a discarded sandwich from a German tourist to bring it all to nought.

PNG policy confusion sends mining shares tumbling

By Nikki Tait in Sydney

Shares in mining companies with interests in Papua New Guinea fell on the Australian stockmarket yesterday as confusion reigned over whether there could be a six to 12 month moratorium on new mining projects there.

At the weekend, Mr John Kaputin, PNG's mining and petroleum minister, said that a moratorium would be imposed after a decision on the A$1.2bn (£590m) Lihir gold-mine project was taken, and that this would allow him to rethink the country's mining policies. Mr Kaputin gave no hint of the implications of such a "rethink" – but one mining company speculated that it could result in changes to the tax regime.

However, late yesterday, Mr Masket Iangalio, the finance minister and former mining minister, said it was unlikely that the government would endorse Mr Kaputin's moratorium idea. "I wish to state categorically that the development of our resources... will continua in an orderly manner without interruption," he said.

Kaputin-Iangalio split brings into the open simmering differences between the two men – which, in turn, have affected the Lihir project, a joint venture involving Britain's RTZ group and Niugini Mining, controlled by Canada's Battla Mountain. For months the necessary special mining lease for Lihir has not been forthcoming, while the PNG cabinet is understood to be divided over how to structure the mine's development and what stakes to give at the outset to the state-owned Malaysian Mining Corporation and to local landowners.

Among the companies affected by yesterday's stockmarket sell-off were Dome Resources, which lost seven cents at 45 cents, Highlands Gold, which shed four cents to A$1.40, and Niugini Mining, down 20 cents to A$5.10.

Few mining companies or analysts wanted to talk publicly about the latest turn of events in this resource-rich but notoriously unpredictable country. Privately, however, they noted that Mr Kaputin made his remarks at an extremely sensitive time in terms of PNG's domestic politics. A "no confidence" motion was tabled at the end of last week against Mr Paias Wingti, the prime minister, based on allegations of bribery, corruption and wife-beating.

The uncertainty over the moratorium is the latest in a series of blows to international confidence in PNG. Other upheavals have included the guerrilla war on Bougainville island; restructuring of interests in the Porgera gold mine; and a A$4bn environmental law suit filed against BHP, operator of the Ok Tedi mine.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1334-34	1363-64
Previous	1325.5-6.5	1354.5-5.0
High/low	1338.5/1338	1373/1361
AM Official	1338.5-40.0	1369-70
Kerb close		1368-9
Open int.	258,787	
Total daily turnover	46,929	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1345-55	1350-60
Previous	1360-70	1360-5
High/low		1368/1360
AM Official	1365-70	1365-70
Kerb close		1360-65
Open int.	3,374	
Total daily turnover	487	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	499.5-500.5	517-18
Previous	503-4	521-2
High/low	503	526/518
AM Official	503-3.5	521-1.5
Kerb close		516-7
Open int.	35,983	
Total daily turnover	5,771	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6170-80	6265-70
Previous	6175-85	6265-70
High/low	6206	6350/6260
AM Official	6205-6	6302-5
Kerb close		6280-90
Open int.	56,892	
Total daily turnover	7,369	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5475-85	5550-60
Previous	5540-5	5615-20
High/low	5495	5630/5550
AM Official	5495-6	5575-80
Kerb close		5560-70
Open int.	16,190	
Total daily turnover	3,380	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	949.5-50.5	975-6
Previous	955-6	980-1
High/low	949.5	977/976
AM Official	949.5-50.0	975-5.5
Kerb close		974-8
Open int.	102,949	
Total daily turnover	22,491	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2234-35	2242-43
Previous	2234-5	2243-4
High/low		2260/2236
AM Official	2237-8	2245.5-6.0
Kerb close		2248-49
Open int.	210,505	
Total daily turnover	58,652	

■ LME AM Official £/$ rate: 1.5071
LME Closing £/$ rate: 1.5086

Spot:1.5089 3 mths:1.5067 6 mths:1.5055 9 mths:1.5045

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Jun	101.70	-1.40	102.60	101.70	1,128	35
Jul	101.95	-1.15	102.90	101.40	35,013	91
Aug	101.85	-1.15	102.60	101.70	500	5
Sep	101.85	-1.05	102.70	101.30	10,121	15
Oct	101.50	-1.00	-	-	228	-
Nov	101.35	-0.95	-	-	202	-
Total					57,746	324

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	378.60-379.00	
Opening	381.40-381.80	
Morning fix	380.25	252.49
Afternoon fix	378.40	251.095
Day's High	381.40-381.80	
Day's Low	378.30-378.70	
Previous close	380.75-381.25	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.01	6 months	4.41
2 months	4.07	12 months	4.86
3 months	4.14		

Silver Fix	p/troy oz.	US cts equiv.
Spot	349.75	527.25
3 months	354.05	533.00
6 months	358.50	539.20
1 year	370.20	555.60

Gold Coins	$ price	£ equiv.
Krugerrand	386-389	258-259
Maple Leaf	389.60-391.95	-
New Sovereign	90-93	60-63

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jun	380.4	-0.3	380.8	377.7	1,983	952
Jul	381.4	-0.3	-	-	-	-
Aug	382.9	-0.3	383.5	380.4	74,757	17,467
Oct	385.9	-0.4	388.3	383.4	5,409	104
Dec	389.1	-0.5	389.7	386.8	24,506	161
Feb	392.5	-0.6	392.4	391.0	5,625	94
Total					141,736	19,142

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jul	397.2	-2.1	399.00	395.60	14,710	1,176
Oct	399.1	-2.1	400.00	398.00	5,155	882
Jan	401.2	-2.1	401.50	400.00	1,082	-
Apr	403.3	-2.1	404.50	404.50	1,003	42
Total					21,960	2,103

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jun	134.55	-0.95	135.75	134.55	119	36
Sep	134.05	-0.85	134.75	134.00	3,366	251
Dec	134.30	-0.95	-	-	744	-
Mar	134.30	-0.95	-	-	6	-
Total					4,235	287

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jun	524.8	-4.4	528.5	523.0	1	-
Jul	526.2	-4.5	533.0	521.5	81,798	18,156
Aug	529.1	-4.5	-	-	-	-
Sep	530.8	-4.6	537.5	526.0	13,952	1,692
Dec	538.2	-4.8	544.0	534.0	16,031	1,425
Jan	539.9	-4.8	-	-	32	-
Total					127,873	21,319

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	17.87	-0.15	18.20	17.81	104,748	49,086
Aug	17.57	-0.14	17.79	17.53	97,879	32,715
Sep	17.40	-0.13	17.60	17.37	38,952	13,568
Oct	17.30	-0.12	17.47	17.30	24,757	5,128
Nov	17.27	-0.09	17.41	17.27	16,208	1,992
Dec	17.25	-0.08	17.39	17.22	28,540	3,223
Total					419,806	112,444

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	16.28	-0.11	16.47	16.22	62,320	19,996
Aug	16.17	-0.04	16.35	16.13	41,902	8,360
Sep	16.08	-0.06	16.25	16.04	15,638	3,082
Oct	16.04	-0.07	16.21	16.02	7,876	435
Nov	16.01	-0.13	16.01	16.01	5,579	357
Dec	16.14	+0.02	16.18	16.14	5,868	329
Total					145,203	32,511

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	47.80	-0.62	48.45	47.45	43,960	13,594
Aug	48.30	-0.47	49.00	48.15	17,877	5,140
Sep	49.25	-0.47	49.90	49.25	11,788	2,069
Oct	50.15	-0.47	50.80	50.15	7,233	181
Nov	51.05	-0.47	51.70	51.05	5,872	846
Dec	51.95	-0.42	52.55	51.85	14,178	1,858
Total					124,843	24,868

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	149.50	-0.50	151.50	149.50	22,789	9,207
Jul	150.50	-0.75	152.25	150.50	34,426	4,721
Aug	152.25	-0.25	154.00	152.00	7,626	1,100
Sep	154.25	-0.25	156.75	154.00	6,743	348
Oct	157.00	-0.25	157.75	156.75	6,606	415
Nov	158.75	-0.25	159.50	158.75	4,585	48
Total					94,932	16,550

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	1.961	-0.004	1.985	1.950	24,856	7,525
Aug	2.055	-0.003	2.075	2.055	13,980	2,381
Sep	2.100	-	2.120	2.108	11,962	1,984
Oct	2.100	+0.002	2.170	2.163	9,873	598
Nov	2.240	-0.001	2.250	2.240	10,817	380
Dec	2.345	-	2.355	2.345	15,156	1,344
Total					128,798	16,581

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Jul	52.47	-0.72	53.45	52.40	51,421	13,606
Aug	52.15	-0.65	53.05	52.15	22,165	3,988
Sep	51.40	-0.58	52.20	51.40	10,712	1,317
Oct	49.75	-0.43	50.20	49.90	4,001	304
Nov	48.90	-0.35	-	-	3,276	78
Dec	52.45	-0.80	53.30	52.90	2,420	137
Total					95,775	19,465

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	110.15	-1.75	111.50	110.00	448	04
Sep	98.20	+0.20	98.20	97.50	489	5
Nov	98.85	+0.15	98.50	98.25	1,984	117
Jan	100.65	+0.15	100.60	100.00	1,227	27
Mar	102.25	-0.25	-	-	385	-
May	103.70	-	103.70	103.25	289	12
Total					4,631	258

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	331/8	+1/8	332/0	325/0	122,815	30,405
Sep	337/2	+0/2	338/2	331/4	44,853	9,610
Dec	348/6	-0/4	350/0	343/2	64,785	12,735
Mar	352/2	-0/2	352/4	347/6	7,460	535
May	343/2	-0/2	344/0	340/0	290	5
Jul	328/0	-	328/0	328/0	1,005	90
Total					241,215	53,380

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	265/4	-6/0	268/8	261/4	541,450	98,670
Sep	260/4	-6/6	263/4	257/6	181,135	18,845
Dec	253/0	-6/0	256/4	250/0	465,165	153,790
Mar	258/4	-6/4	262/4	257/4	51,615	3,670
May	263/4	-6/4	264/4	262/0	7,025	220
Jul	264/4	-6/0	267/6	263/4	14,035	1,250
Total					1,274M	275,880

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Sep	97.50	-	97.50	97.50	172	4
Nov	98.50	-0.25	98.50	98.50	323	20
Jan	100.25	-	-	-	30	-
Mar	101.80	-0.35	101.00	01.80	12	10
May	104.00	-	-	-	4	-
Total					541	34

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	659/2	-25/6	673/0	656/4	280,790	98,280
Aug	658/6	-25/4	673/0	656/0	85,765	26,610
Sep	642/0	-27/6	657/6	641/4	46,675	3,840
Nov	631/6	-28/6	646/4	629/8	299,095	152,065
Jan	635/4	-28/6	651/0	635/0	25,195	1,915
Mar	642/0	-26/0	654/4	640/0	10,650	690
Total					746,375	285,958

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	26.89	-0.99	27.84	26.88	25,358	9,654
Aug	26.86	-0.89	27.62	26.87	14,393	2,840
Sep	26.72	-0.99	27.45	26.71	10,910	671
Oct	26.25	-1.00	26.95	26.25	7,668	158
Dec	25.78	-0.97	26.50	25.75	20,837	3,661
Jan	25.60	-1.00	26.30	25.60	2,908	65
Total					85,133	17,432

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	192.4	-6.0	195.0	190.0	30,060	7,879
Aug	192.4	-6.0	193.2	190.0	16,759	3,855
Sep	191.1	-6.5	194.5	188.8	10,557	620
Oct	189.5	-7.0	192.3	187.2	5,622	501
Dec	188.7	-6.7	192.0	188.9	17,489	3,436
Jan	188.3	-5.9	191.5	188.4	1,735	54
Total					84,579	16,983

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	260.0	-	-	-	-	-
Nov	90.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Apr	132.5	+3.5	132.5	128.0	685	32
May	140.0	-	-	-	-	-
Jun	107.5	-	-	-	-	-
Total					685	32

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	1285	-8	1290	1285	714	79
Jul	1185	-23	1205	1155	938	28
Aug	1205	-29	1225	1210	387	27
Oct	1282	-16	1295	1285	216	15
Jan	1310	-22	1330	1310	83	8
Apr	1340	-8	-	-	60	-
Total					2,311	157

	Close	Prev
BFI	1382	1407

Tea

The Tea Broker's Association reports strong demand. Bright East Africans were often dearer while mediums and plainer Central Africans remained fully firm. Ceylons met good competition but prices were barely steady. Bright Zimbabwes sold well and gained 5 to 10 pence, others were unchanged. Ceylons met selective enquiry at irregularly easier rates. Quotations best available, 230p/kg nom, good 160p/kg, good medium 138p/kg, medium 118p/kg, low medium 85p/kg. The highest price realised this week was 231p for a Rwanda pf.1

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	978	-33	1007	978	18,943	
Sep	997	-37	1022	995	17,936	
Dec	1019	-36	1039	1017	25,832	
Mar	1041	-32	1058	1040	27,000	
May	1053	-22	1058	1058	10,426	
Jul	1065	-30	-	-	3,221	
Total						

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	1306	-56	1342	1303	31,531	4,132
Sep	1334	-56	1371	1332	20,873	2,279
Dec	1370	-52	1395	1369	9,428	1,120
Mar	1400	-56	1428	1400	8,777	19
May	1419	-56	1430	1428	2,936	85
Jul	1441	-56	-	-	2,386	-
Total					79,827	7,685

■ COCOA (ICCO) (SDR's/tonne)

Jun 3	Price	Prev. day
Daily	1049.17	1045.85
10 day average	N/A	N/A

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	2080	-61	2115	2048	12,192	1,171
Sep	2026	-63	2088	2020	18,163	1,201
Nov	2002	-56	2080	1883	6,688	426
Jan	1986	-59	2044	1971	6,455	114
Mar	1985	-16	1995	1985	2,487	4
May	1934	-61	1935	1934	99	39
Total					44,104	2,955

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	119.25	-5.30	123.00	117.30	20,544	4,000
Sep	117.50	-4.70	121.00	116.50	18,985	2,097
Dec	115.85	-3.70	118.40	114.80	12,217	1,235
Mar	113.25	-3.45	116.20	113.00	7,130	555
May	112.50	-4.25	115.80	112.50	763	44
Jul	112.00	-4.50	114.00	114.00	98	13
Total					57,753	7,949

■ COFFEE (ICO) (US cents/pound)

Jun 3	Price	Prev. day
Comp. daily	115.50	115.67
15 day average	118.63	115.83

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	12.20	-0.13	12.20	12.15	2,812	50
Oct	12.30	-0.10	-	-	1,086	-
Jan	11.82	-	-	-	-	-
Mar	11.91	-0.12	11.93	11.90	60	5
Total					3,769	55

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Aug	348.50	-1.00	347.00	345.00	12,964	311
Oct	327.20	-1.10	323.50	325.50	8,767	57
Dec	317.60	-0.80	317.50	316.50	704	0
Mar	316.80	-0.90	319.40	316.00	2,350	10
May	318.50	-1.00	-	-	205	-
Aug	318.30	-0.90	-	-	235	-
Total					25,298	387

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	12.00	-0.09	12.09	11.92	42,089	5,676
Oct	12.05	-0.06	12.08	11.95	57,146	3,535
Mar	11.73	-0.11	11.80	11.70	24,531	733
May	11.75	-0.06	11.77	11.67	3,870	51
Jul	11.70	-0.05	11.73	11.65	1,463	-
Oct	11.61	-0.08	-	-	697	12
Total					129,857	11,007

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	81.43	-0.49	81.95	81.15	18,252	3,217
Oct	77.55	-0.83	78.85	77.38	6,196	889
Dec	75.94	-0.82	76.30	75.70	24,592	2,586
Mar	76.77	-0.71	77.07	76.75	3,194	299
May	77.30	-0.70	77.55	77.20	1,741	158
Jul	77.60	-0.83	78.10	77.75	404	78
Total						

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	95.65	-3.75	99.25	95.50	11,525	977
Sep	98.15	-3.70	101.60	98.16	5,484	780
Nov	100.25	-3.15	103.00	100.00	1,496	200
Jan	101.75	-3.15	104.50	101.25	2,906	155
Mar	102.50	-3.85	105.00	102.50	1,124	130
May	104.50	-3.85	104.50	104.50	25	-
Total					22,986	2,223

VOLUME DATA

Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jun 6	Jun 3	month ago	year ago
1973.6	1973.6	1867.1	1656.9

■ CRB Futures (Base: 4/9/56=100)

Jun 3	Jun 2	month ago	year ago
232.05	234.35	226.61	206.82

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	63.650	+0.225	64.150	62.900	13,457	8,854
Aug	63.725	+0.675	64.250	62.800	28,165	9,616
Oct	67.050	+0.575	67.650	66.350	14,268	2,469
Dec	68.525	+0.425	69.100	68.000	9,651	1,416
Feb	69.525	+0.360	70.050	69.100	6,169	362
Apr	70.800	-0.075	71.250	70.600	2,856	116
Total					75,128	26,819

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	47.025	+0.675	47.200	46.450	4,369	3,100
Jul	47.330	+0.400	47.400	46.300	10,801	3,210
Aug	46.125	+0.475	46.150	46.000	7,465	2,461
Oct	43.450	+0.750	43.700	42.900	4,004	1,078
Dec	44.275	+0.825	44.350	43.475	2,974	271
Feb	44.100	+0.450	44.100	43.600	715	19
Total					39,759	18,296

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	42.375	+0.150	43.600	41.250	4,741	1,848
Aug	41.300	+0.800	41.700	40.500	3,235	671
Feb	48.400	+0.400	48.500	47.425	480	165
Mar	47.200	+0.075	47.900	47.100	38	4
May	50.350	-1.000	50.350	49.450	34	1
Jul	50.500	-	-	-	12	2
Total					8,480	2,489

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Aug	Nov	Aug	Nov
1325	62	99	23	34
1375	35	70	45	55
1425	18	48	77	81

■ COPPER (Grade A) LME	Aug	Nov	Aug	Nov
2200	94	112	45	66
2250	67	89	67	111
2300	46	69	96	140

■ COFFEE LCE	Jul	Sep	Jul	Sep
2100	56	187	95	237
2150	39	150	128	270
2200	26	134	165	304

■ COCOA LCE	Jul	Sep	Jul	Sep
950	33	77	8	30
975	17	63	14	41
1000	7	50	29	53

■ BRENT CRUDE IPE	Jul	Aug	Jul	Aug
1550	75	-	5	18
1600	40	-	12	40
1650	15	-	26	60

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Jul)

		+or-
Dubai	$15.31-5.34w	+0.100
Brent Blend (dated)	$16.12-6.15	+0.065
Brent Blend (Jul)	$16.24-6.27	+0.065
W.T.I. (1pm est)	$17.98-8.00w	-0.005

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

		+or-
Premium Gasoline	$187-188	
Gas Oil	$148-149	-1
Heavy Fuel Oil	$84-87	
Naphtha	$157-158	-0.5
Jet Fuel	$160-162	

Petroleum Argus Estimates

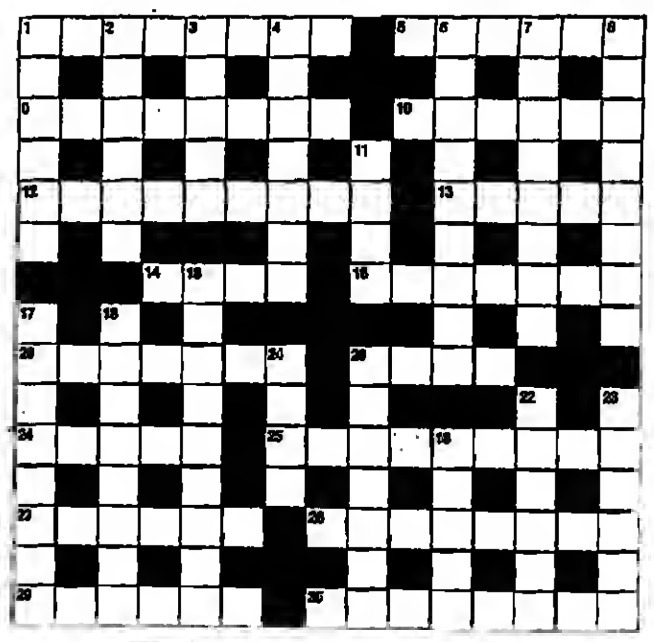
■ OTHER

		+or-
Gold (per troy oz)♣	$378.80	-2.20
Silver (per troy oz)♣	524.50c	-7.00
Platinum (per troy oz.)	$395.25	-2.75
Palladium (per troy oz.)	$133.85	-0.60
Copper (US prod.)	108.00c	+2.00
Lead (US prod.)	35.00c	
Tin (Kuala Lumpur)	14.15m	-0.11
Tin (New York)	257.50c	
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	128.29p	-0.34*
Sheep (live weight)†♣	118.18p	-16.29*
Pigs (live weight)	88.25p	-1.33*
Lon. day sugar (raw)	$294.60	+1.80
Lon. day sugar (wte)	$356.50	-2.30
Tate & Lyle export	£308.00	
Barley (Eng. feed)	£104.5t	
Maize (US No3 Yellow)	£140.0	
Wheat (US Dark North)	£185.0	+5.0
Rubber (Jul)♥	74.00p	+1.25
Rubber (Aug)♥	74.00p	+1.00
Rubber(KL RSS No1 Jul)	280.00m	+1.50
Coconut Oil (Phil)§	$610.0z	-10.5
Palm Oil (Malay.)§	$485.0w	-7.5
Copra (Phil)§	$403.0	
Soyabeans (US)	£198.0z	-2.0
Cotton Outlook A Index	88.70c	-0.40
Wooltops (64s Super)	428p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Oct/Dec z Jun/Jul. y Jun. w Jul. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♣ Sheep (Live weight prices). * Change on week, provisional prices.

CROSSWORD

No.8,473 Set by GRIFFIN



ACROSS

1 A drop of water? (8)
5 Primate blessing bachelor first (6)
9 Not qualified to use lab is thrown out (8)
10 Visual effect of space explosion last night (6)
12 Returning, say nothing to band, delaying departure (9)
13 One getting up a pipe? (5)
14 Report head girl for following outlaw (4)
16 Shout back when trapped in gas vessels (7)
19 Variety turn is taking on engagements (7)
21 Poor chaps accepting first aid (4)
24 Second sea bird is back oo board (5)
25 Top seaman in line replaced as incompetent (9)
27 Tooth moved up disc (6)
28 Separate jack on vehicle back in street (8)
29 Some citizens ignore this flag (6)
30 Be on cover of the Observer? (8)

DOWN

1 Truly the soldiers' friend (6)
2 Anne is cracking nuts (6)
3 Cornish banker sees half is wrong (5)
4 Allowing Latvian in before midnight (7)
6 Famous city turns up in one country and another (9)
7 Doctors see Rover boss (8)
8 One assumes nothing when camping (8)
11 Eager to get silver turn up (4)
15 A certain home, grand and rich (9)
17 Making people late for communion race round (8)
18 They don't believe this seat needs adjusting (8)
20 (Interrupting) "sorry I spoke!" (4)
21 Ghastly scholar about to take taxi (7)
22 A table on a boat (6)
23 Recovered punt the Parisian lost later (6)
26 Taking it back pop round courtyard (5)

Solution to Saturday's prize puzzle on Saturday June 18.
Solution to yesterday's prize puzzle on Monday June 20.

LONDON STOCK EXCHANGE

MARKET REPORT

Dismal volume reflects market uncertainties

By Terry Byland, UK Stock Market Editor

A nervous and thinly traded session in UK equities yesterday saw share prices close firmly behind early gains in the Dow Industrial Average and in US bonds. The prospect of the elections this week to the European Parliament provided an extra note of uncertainty in markets still concerned over inflation prospects on both sides of the Atlantic.

At midsession the market was ahead by more than 18 points on the Footsie scale but equities later lost heart when UK government bonds gave back an initial advance. A closing rally, which left the FT-SE 100 Index at 3,009.4, up 11.6 on the day, owed much to a slow improvement in Federal bonds and to the reading of plus 13 points on the Dow Average at the London close. The FT-SE Mid 250 Index ended 14.1 ahead at 3,571.4.

But a more revealing image of the trading session was given by the Seaq volume of only 436.4m shares, nearly 40 per cent down from Friday's figure and one of the lowest genuine daily totals for the year.

Shares opened nervously as investors waited to see if US Federal bonds would hold the gains scored at the close of trading in New York on Friday. When European bonds, including UK gilts, moved higher, the London stock market responded, but with some caution. Sentiment was encouraged by reports that a New York newspaper had quoted reassuring comments from several Federal Reserve governors on last week's US unemployment data.

Account Dealing Dates		
*First Dealings: May 13	Jun 6	Jun 20
Option Declarations: Jun 2	Jun 16	Jun 30
Last Dealings: Jun 3	Jun 17	Jul 1
Account Day: Jun 13	Jun 27	Jul 11

*New time dealings may take place from two business days earlier.

There was little market response to the announcement of a sharp fall in new UK consumer credit in April, a move which could be seen as favourable for inflation but discouraging for economic recovery prospects.

London continued to edge forward until just before the time for New York to open, when initial uncertainty in Federal bonds was quickly reflected across European fixed interest markets. A later rally in Federal securities came late in the London trading day.

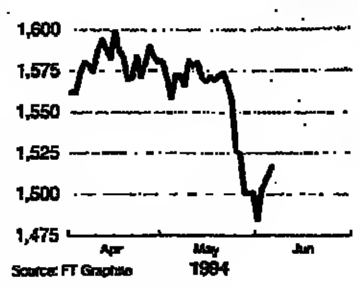
With both the economic calendar and the company reporting list somewhat light this week, individual features were thin on the ground. Unilever shares fell on reports of an attack on its latest detergent product by a rival manufacturer.

The general caution ahead of this week's European elections lay particularly heavy across the London stock market because of fears that Mr John Major's ruling Conservative government may come under further pressure in Westminster and in the public opinion polls.

There was further demand yesterday for the utility shares, which have attracted investors looking for stocks which often combine good current yields and the hope of further dividend rises. The market's dividend optimism was encouraged yesterday by a sharply higher payout from BAA, which owns and manages Britain's major airports, and reported buoyant air passenger traffic. Dividend increases have provided support for the market, against the background of other uncertainties.

There were also sharp rises among the banks and financial stocks but trading volumes across the market indicated that genuine investment interest was on hold for the time being. Fund managers, having seen the Footsie succeed in recovering the 3,000 mark, appeared to be waiting for convincing evidence that this level can be held before putting further funds into the London market.

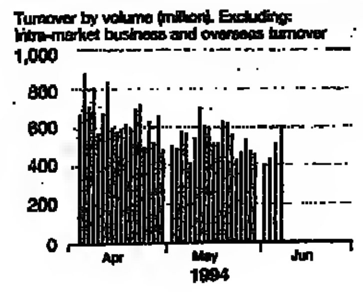
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3009.4	+11.6	FT Ordinary index	2387.6	+7.7
FT-SE Mid 250	3571.4	+14.1	FT-SE-A Non Fins p/e	18.31	(19.26)
FT-SE-A 350	1522.5	+5.9	FT-SE 100 Fut Jun	2997.0	+4.0
FT-SE-A All-Share	1515.38	+5.40	10 yr Gilt yield	8.50	(8.49)
FT-SE-A All-Share yield	3.88	(3.89)	Long gilt/equity yld ratio:	2.21	(2.21)

Best performing sectors

1 Gas Distribution ... +2.9
2 Insurance ... +1.9
3 Life Assurance ... +1.5
4 Engineering, Vehicles ... +1.3
5 Banks ... +1.2

Worst performing sectors

1 Spirits, Wines & Cider ... -1.1
2 Breweries ... -1.1
3 Property ... -1.0
4 Food Manufacturers ... -0.8
5 Household Goods ... -0.6

Regional jet talk lifts BAe

Confirmation from British Aerospace that it is in talks with Deutsche Aerospace with a view to taking a minority stake in Dutch regional jet manufacturer Fokker saw BAe shares jump 16 to 459p, a rise consolidated by late-breaking news of a $230m contract with Colombia to acquire eight RJ100 aircraft.

The talks were greeted with enthusiasm as the first stage towards cutting competition in the regional jet industry and reducing the need for research and development spending. BAe, which made provisions of £1bn on regional jets in 1992 and a further £250m on turboprops in 1993, has suffered from the over-capacity in the industry and fears that falling residual values on aircraft will hit its leasing book.

"Bringing the two together and producing a limited range of aircraft means a greater chance of making money," said Mr Charles Donald at Panmure Gordon. "As a first step in industry restructuring, it is a sound move."

Unilever slides

The continuing controversy over Unilever's new washing powder undermined the shares, which finished a tortuous session 22 down at 975p with turnover an above average 1.6m. Analysts estimated the company's investment in "Persil Power" at £300m, with prospective annual UK sales weighing in at around the same level.

The share price fall came after Unilever withdrew its litigation threat against arch-rival Proctor & Gamble, following allegations by tha US gronp that the new detergent ruined clothes. They said that their claims were supported by independent tests and backed by consumer bodies.

Top of the range preliminary profits from BAA and news of a planned one-for-one share split triggered a strong performance by shares in tha airports group. They reached a session high of 957p before settling a net 11 better at 949p following above average turnover of 1.2m.

Citing the potential benefits of a further 75,000 square feet increase in retail space and a forecast 4 per cent rise in traffic volumes, Panmure Gordon upgraded its current year profits forecast to £370m. NatWest, which expects BAA to achieve profits of £365m, described the shares as a "good strong hold".

Commercial Union shares moved ahead strongly, with insurance specialists continning to dismiss the latest crop of market rumours suggesting that CU is contemplating a bid for the French insurance company Group Victoire.

"CU could not afford to buy the whole of Victoire, which would cost in the region of £1.3bn," said one leading insurance analyst. "Maybe they could acquire certain parts of the business if it was broken up by Suez, Victoire's parent."

CU advanced 16 to 548p, although turnover in the stock was a modest 607,000 shares.

Sedgwick, the insurance broker, staged a good rally after tha recent poorly received results, the shares moving up 8 to 172p.

Life stocks also made good progress, shrugging off recent worries about disclosure of commissions, as well as other increasing pressures on the life assurance industry.

Prudential moved ahead 7 to 296p after Robert Fleming Securities issued its first positive recommendation on the company since early 1992, and said it expected the shares to outperform by 10 per cent over the next year as the market appreciates that higher interest rates are good news for traditional life assurers.

"In contrast to popular belief the recent rise in bond yields improves the profitability of traditional life companies, increases embedded values and actuarial surpluses. The latter takes some of the pressure off bonus reductions and protects the built-in dividend growth," said the Flemings insurance team.

Bank shares extended the rally evident at the end of last week when big US funds were said to have been aggressive buyers of the sector. National Westminster featured with a further 11 gain at 467p, while Standard Chartered was the FT-SE 100's best individual performer, climbing 12 to 252p.

Motor stocks were strong on the back of new car sales figures for May, up 10 per cent on the previous year, to 150,070 and compared with only a 5 per cent rise in April. Laird rose 11¼ to 390p and GKN were up 7 to 590p.

Smiths Industries benefited from its £150m purchase of medical equipment company Deltec from Pharmacia AB, rising 18 to 470p. The acquisition takes the medical side to around 45 per cent of group operating profit, adding about £90m sales in the growing area of out-patient care. Strauss Turnbull raised its forecast for pre-tax profits for the year to July 1995 from £129m to £133m, taking forecast earnings from 29p to 30p.

The telecoms team at Hoare Govett was said to have been the driving force behind the latest good performance from Cable and Wireless, highlighting the new management team at Hong Kong Telecom and the growth potential of the Chinese telecoms market. C&W rose 6 more to 443p.

VSEL fell a further 35 to 875p, after going ex-dividend and on further consideration of last week's results.

British Gas, which has underperformed the rest of the marketrecently, rose 8 to 269p, helped by a Swiss Bank "buy" recommedation. Analyst Mr Alan Marshall said: "Concerns over the security of the dividend are, in our opinion, exaggerated." The next consultative document on Gas is expected later this month.

Profit-taking and ex-dividend calaculations took the shine from recent firm showings among leading property stocks MEPC and Land Securities, the former sliding 13 to 446p and the latter 21 to 635p.

Euro Disney again basked in the afterglow of the news that a Saudi Arabian prince is to invest in the theme park operator. The shares surged 29 to 415p.

News of a good take-up of the rights issue at Compass Group came as the fully-paid shares gained 6 to 321p.

The Great Univeral Stores share buy-back story was again doing the rounds, with the stock spurting forward 13 to 578p.

Stores specialists said there was increasing expectation in the market thet the company would announce the move – rumoured to be in the range of £1hn – witb its preliminary results next month.

Marks and Spencer was another strong feature in the stores sector, going ex-dividend but still managing a gain of 2½ at 399p. Similarly, W.H. Smith "A" was in demand, moving 11 ahead to 482p.

MARKET REPORTERS: Steve Thompson, Christopher Price, Clare Gascoigne.

■ Other statistics, Page 23

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (30).

BLDG MATLS & MCHTS (1) Shaw (A), DISTRIBUTORS (1) Faber Prest, ELECTRNC & ELECT EQUP (3) Arcolectric 'A', Plasmec, ENGINEERING (1) Optometrics, EXTRACTIVE INDS (8) HOUSEHOLD GOODS (1) Osborne & Little, INVESTMENT TRUSTS (1) Hong Kong Zero Dv Pf, LEISURE & HOTELS (1) G.R., MEDIA (1) Chiltern Radio, OIL EXPLORATION & PROD (4) OTHER FINANCIAL (1) Intl. Inv Tst. Jersey, RETAILERS, FOOD (1) Greggs, RETAILERS, GENERAL (3) Austin Reed, Liberty, Do. Non-Vtg, SUPPORT SERVS (1) Micro Focus, AMERICANS (4) SOUTH AFRICANS (1)

NEW LOWS (130).

GILTS (1) BUILDING & CNSTRN (5) BLDG MATLS & MCHTS (1) Sheffield Ins, CHEMICALS (2) Scapa, Wardle Storeys, DISTRIBUTORS (3) BSS, Diploma, Wills, DIVERSIFIED INDLS (6) ELECTRNC & ELECT EQUP (3) BICC Cap. Fin Bds 2020, Tunstall, Volex, ENGINEERING (10) EXTRACTIVE INDS (3) FOOD MANUF (3) Acatos & Hutcheson, Unilever, Do. NV, GAS DISTRIBUTION (1) Calor, HEALTH CARE (6) CrestaCare, Intercare, Kynoch, London Intnl, Takare, Topnot Diagnostics, HOUSEHOLD GOODS (3) Creighton Naturally, Fine Decor, Reckitt & Colman, INSURANCE (7) INVESTMENT TRUSTS (17) LEISURE & HOTELS (4) Brent Walker, Granada Prf., Kunick Prf., Ladbroke, LIFE ASSURANCE (2) Britannic, Transatlantic, MEDIA (2) Harrington Kilbride, More O'Ferrall, OIL EXPLORATION & PROD (1) Ramco Oil, OTHER FINANCIAL (8) Baltic 7pc Prf, Finansieringsselskabet, INVESCO, M. & G., Mercury Asset Mgmt, Secure Trust, OTHER SERVS & BUSNS (4) Bertam, Brit. Bloodstock, General Motors Units, Rodime, PHARMACEUTICALS (1) Hafslund Nycomed 'B', PRTNG, PAPER & PACKG (3) Jarvis Porter, Plysu, Wace Pf., PROPERTY (8) RETAILERS, FOOD (3) Appleby Westward, Gateway, Tesco Cap Bd 2005, RETAILERS, GENERAL (6) Clinton Cards, Coles Myer, Hughes (TJ), Kingfisher, Menzies (J.), Wyevale Garden Centres, SUPPORT SERVS (6) Capita, Chubb Security, Davis Service, Johnson Cleaners, Oxford Molecular, Virtuality, TEXTILES & APPAREL (7) TRANSPORT (3) Assoc Brit Ports, Dawsongroup, Mersey Docks & Harbour, WATER (1) Mid Kent.

EQUITY FUTURES AND OPTIONS TRADING

Equity derivatives held a fairly steady course, managing to preserve gains made in the previous session, *Christine Buckley writes.*

Activity was modest, with just under a third of the 13,111 volume in the June contract on the FT-SE 100 attributed to a roll over of positions. Some 4,000 were rolled into the September contract, making a significant amount of the day's trade directionless.

With June near to its expiry, and fair value at zero, the contract traded at a discount to cash for large periods of the session. But it did muster a small premium on a couple of occasions and hit a day's high of 3,020 just after Wall Street opened. Its low had been struck very early in tha session when it slipped 3 points from an opening 2,993.

Some negative arbitrage has been observed lately, with the June contract having fallen so low that buyers have moved into the future and gone short on stocks.

Traders were hesitant about calling the mood in stock index futures, blaming the absence of any real pointers in the market. June closed 4 points up on the day at 2,997.

Low activity in traded options made for a modest 22,879 lots, with the FT-SE 100 option recording only 8,660 and the Euro FT-SE 4,368. The most active stock option was British Gas at 2,159 contracts.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	2993.0	2997.0	+4.0	3020.0	2990.0	[illegible]	53369
Sep	3000.0	3008.5	+3.5	3028.0	3000.0	[illegible]	12291
Dec	3018.0	3018.0	+4.0	3018.0	3018.0	[illegible]	252

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		3570.0	+6.0			0	3612
Sep		3584.0	+6.0			0	1295

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		3570.0					771

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3000) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

[illegible]

FT - SE Actuaries Share Indices — The UK Series

	Jun 6	Day's chge%	Jun 3	Jun 2	Jun 1	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3009.4	+0.4	2997.8	2980.8	2931.9	2844.8	4.10	6.88	17.36	48.83	1123.61
FT-SE Mid 250	3571.4	+0.4	3557.3	[illegible]	[illegible]	3164.9	3.46	5.71	21.29	44.03	1313.50
FT-SE Mid 250 ex Inv Trusts	3577.0	+0.4	[illegible]	[illegible]	[illegible]	3202.2	3.60	6.16	19.90	44.80	1611.56
FT-SE-A 350	1522.5	+0.4	[illegible]	[illegible]	[illegible]	1420.2	3.95	6.61	18.14	23.33	1162.77
FT-SE SmallCap	1870.29	[illegible]	[illegible]	[illegible]	[illegible]	1628.53	2.99	4.22	29.19	20.87	1437.01
FT-SE SmallCap ex Inv Trusts	1848.33	[illegible]	[illegible]	[illegible]	[illegible]	1640.86	3.15	4.66	26.80	21.48	1423.39
FT-SE-A ALL-SHARE	1515.38	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ FT-SE Actuaries All-Share

[illegible]

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	2,400	54	+¼
Abbey National†	2,200	416	
Albert Fisher	507	66	
Allied-Lyons†	2,900	572	-1
Anglian Water	547	482	+4½
Argos	286	350	-2
Argyll Group†	2,100	231½	+½
Arjo Wiggins†	431	272	
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 index constituent.

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	55	6	11
Other Fixed Interest	0	0	15
Mineral Extraction	40	75	86
General Manufacturers	154	145	364
Consumer Goods	45	45	101
Services	110	104	298
Utilities	33	4	8
Financials	95	102	177
Investment Trusts	130	56	284
Others	46	45	42
Totals	708	582	1385

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

Calls: Betterware, Cons. Murch., LBMS, Marks & Spencer, Regent Corp., St. James Pl., Tullow Oil Puts: Betterware, Marks & Spencer, Warburg (S.G), Tinsley. Puts & Calls: Abbey Natl., HSBC A, Hanson Wts., Tarmac, Tullow Oil, Utd. Biscuits, Wellcome, Wiggins.

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

[illegible]

FINANCIAL TIMES EQUITY INDICES

[illegible]

FT GOLD MINES INDEX

[illegible]

LONDON SHARE SERVICE

BANKS

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

Toronto-Dom		10½	+⅛	11¾	9$\frac{13}{16}$	3,162	3.9	
Trans Can Pipe	♥	8$\frac{11}{16}$	+$\frac{1}{16}$	10⅞	8$\frac{13}{16}$	1,523	4.6	

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	1994 low	Mkt CapÉm	Yld Gr's	P/E
Anglo Am Ind		£28½	—	£28½	£13½	1,682	2.8	19.4
Barlow		857⅛	—	£5$\frac{11}{16}$	£3$\frac{11}{16}$	1,055	8.1	8.7
Gold Flds Prop R		186	—	185	78	10.3	9.9	2.8
MK Props	§	90	—	90	87	3.82	9.9	37.0
SASOL	♥	338	-7	382	280	1,604	4.6	-
SA Brews		£13⅛xd	-⅛	£15⅛	210	7,178	2.1	21.9
Tiger Oats	†	875xd	-8½	838	538	1,814	2.3	14.3
Tongaat-Hulett	†	687	+8	687	434	521.7	2.1	19.4

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- § Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
S Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT9314. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availability.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Thornton Unit Managers Ltd (1200)F

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Abbey Life Assurance Co Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Prop. Ser. 1	[illegible]	[illegible]		–
Equity Ser. 1	[illegible]	171.1	+0.30	–
Prop. Acc. Ser 2	[illegible]	547.0		–
Equity Ser 2	210.6	221.8	+1.20	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Abbey National Life Plc

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	112.2	118.3	+1.1	–
UK Equity	[illegible]	[illegible]	+1.5	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Canada Life Group

[illegible]

Eurolife Assurance Company Ltd

[illegible]

Homeowners Friendly Society Limited - Contd.

[illegible]

M & G Life and M & G Pensions - Contd.

[illegible]

National Westminster Life Assce Ltd - Contd.

[illegible]

Prudential Corporate Pension Funds - Contd.

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

INSURANCES

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Scottish Equitable plc - Contd.

[illegible]

Scottish Life Investments

19 St Andrew Square, Edinburgh 031-225 2211

[illegible]

Scottish Mutual Assurance plc

109 St Vincent St, Glasgow 041-248 6321

[illegible]

Scottish Provident Group

[illegible]

Sun Alliance Group - Contd.

[illegible]

Sun Life Unit Assurance Ltd

[illegible]

Swiss Life (UK) PLC

[illegible]

TSB Life Ltd

[illegible]

OFFSHORE INSURANCES

[illegible]

Allied Dunbar International Assce Ltd (z)

[illegible]

Royal Scandia Life Assurance Ltd - Contd.

[illegible]

Scottish Provident Intl Life Assu Ltd

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

Guinness Flight Fd Mngrs (Guernsey) Ltd

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

Quilter International Management Ltd

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

Bank of Ireland Unit Managers Ltd - Contd.

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

Barclays International Funds - Contd.

[illegible]

JERSEY (REGULATED)(**)

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

The Portugal Fund Limited

Fleming Group (u)

Thornton Investment Management Ltd

Global Funds Management S.A. (u)

Unico Financial Services SA Lux

Enigma Investments Ltd - Cayman

Jardine Fleming Unit Trusts Ltd - Contd.

Putnam Embassy Funds Ltd

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. x Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. ♦ Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities). ε Offered price includes all expenses except agent's commission. y Previous day's price. §§ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡ Only available to charitable bodies. Φ Yield column shows annualised rates of NAV increase. xd ex dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey: Financial Services Commission; Ireland: Central Bank of Ireland; Isle of Man: Financial Supervision Commission; Jersey: Financial Services Department; Luxembourg: Institut Monétaire Luxembourgeois.

MARKETS REPORT

Dollar steadies

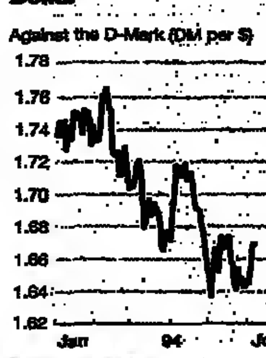
The US dollar consolidated Friday's gains in fairly light trading yesterday, as dealers marked time ahead of the Bundesbank council meeting and the European elections later this week.

Remarks from Mr Dieter Hiss, a Bundesbank council member, were seen as confirming recent indications that the scope for further German interest rate cuts was limited. Meanwhile, Mr Mickey Kantor, US trade representative, said the administration had not pursued a policy of driving up the yen.

However, support for the dollar was hardly overwhelming and while the US currency finished ahead of Friday's closing levels, it ended below yesterday's opening rates.

Dollar

Against the D-Mark (DM per $)



Source: Datastream

■ Pound in New York

Jun 6	Latest	Prev. close
£ spot	1.5085	1.5065
1 mth	1.5076	1.5046
3 mth	1.5062	1.5033
1 yr	1.5010	1.4991

■ The dollar opened the day with some momentum following Friday's sharp fall in unemployment, which made traders believe that further interest rate increases by the Fed were more likely.

Dealers were also perceived as being unenthusiastic about European currencies ahead of Thursday's polls and the strength of the US Treasury bond market was seen as lending the dollar support.

Mr Hiss, head of the regional central bank for Berlin and Brandenburg, said in Berlin that room for lower German interest rates would decrease if US interest rates continued to rise.

Mr Adrian Cunningham, senior currency economist at UBS, "until now, the Bundesbank has stood clear of implying a link between German and US monetary policy."

The Hiss remarks were seen as a further sign that official German interest rates were unlikely to fall much further although Mr Hiss added "the current level of discount and Lombard rates leaves room for an adjustment of the repo rate which is the main refinancing rate for the banking system."

Meanwhile, Mr Kantor's remarks were the latest in a series of comments by US officials, seemingly designed to correct the market impression, formed earlier this year, that the Clinton administration was happy to see a weaker dollar.

However, not all official comment was positive for the dollar yesterday. Three Federal Reserve governors, Mr Lawrence Lindsey, Mr Edward Kelley and Mr John LaWare, were quoted in the New York Times as saying that the pace of US economic growth had slowed down.

Traders perceived the comments as indicating that the pace of Fed interest rate increases might ease.

The dollar ended the day in London at DM1.6692, up from Friday's close of DM1.6665, but below yesterday's opening at DM1.6700. Against the yen, the dollar closed at Y105.35, compared with Friday's finishing rate of Y105.245.

■ Sterling's exchange rate index edged up to 80.6, after opening yesterday at 80.5 and closing on Friday at 80.4.

The pound drifted higher against the D-Mark, closing at DM2.5164, compared with Friday's end-level of DM2.5074. However, sterling's strength against the D-Mark was seen as merely tracking the dollar/D-Mark rate.

Against the US unit, the pound edged up to $1.5076, from Friday's $1.5046, but Mr Peter Luxton, economic adviser, global foreign exchange at Barclays Bank, said that "cable can't break though $1.51."

"Expectation of higher base rates gives sterling some support" said Mr Neil MacKinnon, chief economist at Citibank in London. He thinks that Mr Eddie George, governor of the Bank of England will press for a quarter of a percentage point increase in base rates, when he meets Mr Kenneth Clarke, the chancellor of the exchequer, on Wednesday.

"So far, the indications are that the tax increases have not had an adverse effect on the economy" said Mr MacKinnon. Yesterday's consumer credit figures were interpreted by the markets as showing that the recovery was still on track.

"The pound should sail through the European election results since the market is already discounting bad news for the Conservatives" adds Mr MacKinnon, although he feels that sterling's potential upside in the summer will be limited by international investor concern about a potential Tory leadership election.

■ The central bank of the Netherlands cut 10 basis points off the special advances rate, reducing it to 5.0 per cent, in a move seen as reflecting recent guilder strength against the D-Mark.

The guilder finished the day virtually unchanged against the German currency, closing at DM0.892/Dfl, versus Friday's end level of DM0.893/Dfl.

The lira finished higher against the D-Mark, rising above the L970 mark to close at L969.4 from L971.7 on Friday. According to Mr Avinash Persaud, head of currency research at J P Morgan (Europe), the Italian unit benefited from a perception of reduced interest rate risk and from strong figures on trade and automotive sales.

■ In the UK money markets, the Bank of England provided £375m of assistance in two tranches yesterday, after earlier forecasting a shortage of £350m. Overnight rates traded between 3 and 4¾ per cent.

■ OTHER CURRENCIES

Jun 6	£	$
Hungary	156.523 - 156.881	103.860 - 103.900
Iran	2630.00 - 2637.00	1748.00 - 1750.00
Kuwait	0.4488 - 0.4498	0.2978 - 0.2983
Poland	34138.0 - 34178.8	22650.0 - 22665.0
Russia	2903.64 - 2909.67	1926.00 - 1930.00
U.A.E.	5.5361 - 5.5475	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Jun 6		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.7068	+0.1087	983 - 152	17.7275	17.5230	17.703	0.3	17.6974	0.2	-	-	113.6
Belgium	(BFr)	51.7989	+0.237	723 - 254	51.8440	51.5290	51.8139	-0.3	51.8239	-0.2	51.6639	0.3	115.0
Denmark	(DKr)	9.8566	+0.0349	524 - 607	9.8683	9.7890	9.8644	-0.9	9.8772	-0.8	9.8782	-0.2	115.2
Finland	(FM)	8.3136	+0.0249	038 - 233	8.3360	8.2490	-	-	-	-	-	-	80.7
France	(FFr)	8.5854	+0.0321	812 - 896	8.6004	8.4718	8.5898	-0.6	8.5939	-0.4	8.5619	0.3	108.3
Germany	(DM)	2.5164	+0.009	152 - 176	2.5254	2.5094	2.5168	-0.2	2.5168	-0.1	2.5017	0.5	123.4
Greece	(Dr)	374.865	-0.307	389 - 341	375.341	369.175	-	-	-	-	-	-	-
Ireland	(I£)	1.0228	-0.0011	220 - 236	1.0238	1.0207	1.0233	-0.6	1.0245	-0.7	1.0263	-0.3	104.5
Italy	(L)	2439.60	+3.42	820 - 100	2447.29	2424.13	2445.2	-2.8	2454.65	-2.5	2486.5	-1.9	77.5
Luxembourg	(LFr)	51.7989	+0.237	723 - 254	51.8440	51.5290	51.8139	-0.3	51.8239	-0.2	51.6639	0.3	115.0
Netherlands	(Fl)	2.8223	+0.014	200 - 245	2.8985	2.8143	2.822	0.1	2.8229	-0.1	2.8004	0.8	118.8
Norway	(NKr)	10.9061	+0.0495	037 - 125	10.9172	10.7256	10.9025	0.6	10.915	-0.3	10.9062	0.0	86.4
Portugal	(Es)	261.418	+1.498	198 - 638	261.702	261.198	262.393	-4.5	264.338	-4.5	-	-	-
Spain	(Pta)	206.692	+0.336	592 - 792	207.315	204.537	207.197	-2.9	208.077	-2.7	210.582	-1.9	85.0
Sweden	(SKr)	11.9171	+0.0618	082 - 259	11.9589	11.8358	11.9401	-2.3	11.9751	-1.9	12.0731	-1.3	76.6
Switzerland	(SFr)	2.1364	+0.0061	351 - 377	2.1383	2.1328	2.1351	0.8	2.1326	0.7	2.1103	1.2	117.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.6
Ecu	-	1.3047	+0.0053	040 - 053	1.3079	1.2986	1.3063	-1.5	1.3019	0.8	1.3011	0.3	-
SDR†	-	0.936647	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5047	+0.003	042 - 051	1.5051	1.4996	-	-	-	-	-	-	-
Brazil	(Cr)	2978.25	+57.02	744 - 905	2979.05	2917.00	-	-	-	-	-	-	-
Canada	(C$)	2.0705	-0.0103	695 - 714	2.0845	2.0682	2.072	-0.8	2.0761	-1.1	2.094	-1.1	87.6
Mexico	(New Peso)	5.0113	+0.018	024 - 201	5.0201	5.0024	-	-	-	-	-	-	-
USA	($)	1.5076	+0.003	072 - 080	1.5080	1.5025	1.5067	0.7	1.5054	0.6	1.5012	0.4	65.7
Pacific/Middle East/Africa													
Australia	(A$)	2.0518	+0.0143	503 - 328	2.0528	2.0379	2.0509	0.4	2.0493	0.4	2.0483	0.2	-
Hong Kong	(HK$)	11.6505	+0.0229	470 - 540	11.6540	11.6110	11.6424	0.8	11.6386	0.4	11.6654	-0.1	-
India	(Rs)	47.2897	+0.0923	733 - 060	47.3060	47.1410	-	-	-	-	-	-	-
Japan	(Y)	158.826	+0.474	708 - 943	159.330	158.260	158.406	3.2	157.618	3.0	153.451	3.4	183.7
Malaysia	(M$)	3.9062	+0.01	044 - 080	3.9080	3.8821	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5421	+0.011	399 - 443	2.5448	2.5308	2.5414	0.3	2.5449	-0.4	2.5515	-0.4	-
Philippines	(Peso)	40.6299	+0.0808	179 - 422	41.1215	40.2346	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6543	+0.0115	520 - 565	5.6565	5.6351	-	-	-	-	-	-	-
Singapore	(S$)	2.3129	-0.0012	119 - 139	2.3159	2.3057	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.4677	+0.0124	651 - 703	5.4710	5.4399	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.2893	+0.1198	722 - 063	7.3063	7.1798	-	-	-	-	-	-	-
South Korea	(Won)	1215.36	+2.41	495 - 576	1215.75	1211.32	-	-	-	-	-	-	-
Taiwan	(T$)	40.8209	+0.0801	067 - 351	40.8351	40.7000	-	-	-	-	-	-	-
Thailand	(Bt)	38.0443	+0.0632	267 - 619	38.0619	37.9280	-	-	-	-	-	-	-

†SDR rate for Jun 3. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jun 6		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	11.7450	+0.0495	425 - 475	11.7775	11.7425	11.7525	-0.8	11.756	-0.4	11.6808	0.5	103.3
Belgium	(BFr)	34.3585	+0.089	500 - 670	34.4300	34.3500	34.3885	-1.0	34.4335	-0.9	34.3985	-0.1	104.5
Denmark	(DKr)	6.5379	+0.0101	369 - 389	6.5580	6.5090	6.5466	-1.6	6.5634	-1.6	6.5916	-0.8	103.9
Finland	(FM)	5.5144	+0.0065	094 - 194	5.5330	5.4785	5.5176	-0.7	5.5244	-0.7	5.5469	-0.9	75.7
France	(FFr)	5.6948	+0.01	935 - 960	5.7128	5.6935	5.7008	-1.3	5.7101	-1.1	5.6745	0.4	104.7
Germany	(D)	1.6692	+0.0027	688 - 695	1.6740	1.6680	1.6704	-0.9	1.6715	-0.9	1.6665	0.2	105.0
Greece	(Dr)	248.650	-0.7	400 - 900	249.200	248.400	250	-6.5	250.85	-3.5	253.15	-1.8	69.2
Ireland	(I£)	1.4740	+0.0045	732 - 747	1.4747	1.4700	1.4723	1.3	1.4694	1.2	1.4629	0.8	-
Italy	(L)	1618.20	-0.95	770 - 870	1626.10	1619.75	1622.8	-3.4	1631.05	-3.2	1662.45	-2.7	77.8
Luxembourg	(LFr)	34.3585	+0.089	500 - 670	34.4300	34.3800	34.3885	-1.0	34.4335	-0.9	34.3985	-0.1	104.5
Netherlands	(Fl)	1.8720	+0.0055	710 - 730	1.8778	1.8710	1.8732	-0.8	1.8745	-0.5	1.8683	0.2	104.2
Norway	(NKr)	7.2354	+0.0185	344 - 364	7.2525	7.2230	7.2391	-0.6	7.2459	-0.6	7.2117	0.3	95.5
Portugal	(Es)	173.400	+0.65	300 - 500	173.850	173.270	174.805	-9.7	176.8	-7.8	161.75	-4.8	92.4
Spain	(Pta)	137.100	-0.05	070 - 130	137.640	137.070	137.46	-3.3	138.195	-3.2	140.52	-2.5	80.2
Sweden	(SKr)	7.9047	+0.0253	009 - 084	7.9321	7.8768	7.9224	-2.7	7.9632	-2.5	8.0447	-1.8	81.1
Switzerland	(SFr)	1.4171	+0.0026	166 - 176	1.4210	1.4157	1.4172	-0.1	1.4158	0.4	1.4	1.2	104.1
UK	(£)	1.5076	+0.003	072 - 080	1.5080	1.5025	1.5067	0.7	1.5054	0.6	1.5012	0.4	89.1
Ecu	-	1.1556	-0.0024	553 - 558	1.1558	1.1524	1.1539	1.7	1.1513	1.5	1.1633	-0.7	-
SDR†	-	1.41031	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9981	-	980 - 981	0.9981	0.9977	-	-	-	-	-	-	-
Brazil	(Cr)	1975.49	+33.98	548 - 550	1975.53	1975.50	-	-	-	-	-	-	-
Canada	(C$)	1.3734	-0.0096	731 - 738	1.3775	1.3715	1.3752	-1.6	1.3792	-1.7	1.3949	-1.6	83.4
Mexico	(New Peso)	3.3240	+0.004	190 - 290	3.3190	3.3290	3.325	-0.4	3.3268	-0.3	3.3342	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	100.7
Pacific/Middle East/Africa													
Australia	(A$)	1.3609	+0.0089	604 - 613	1.3615	1.3543	1.3612	-0.3	1.3614	-0.1	1.3651	-0.3	90.2
Hong Kong	(HK$)	7.7279	-0.0001	276 - 281	7.7281	7.7272	7.7274	0.1	7.7289	-0.1	7.7442	-0.2	-
India	(Rs)	31.3675	-0.0013	650 - 700	31.3700	31.3650	31.4475	-3.1	31.5825	-2.9	-	-	-
Japan	(Y)	105.350	+0.105	300 - 400	105.500	105.230	105.155	2.2	104.705	2.4	102.425	2.8	145.1
Malaysia	(M$)	2.5910	+0.0015	905 - 915	2.5915	2.5865	2.5835	3.5	2.58	1.7	2.611	-0.8	-
New Zealand	(NZ$)	1.6862	+0.004	852 - 872	1.6872	1.6829	1.688	-1.3	1.6926	-1.5	1.7143	-1.7	-
Philippines	(Peso)	26.9500	-	500 - 500	27.1500	26.7500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	+0.0002	500 - 510	3.7510	3.7500	3.751	-0.2	3.7531	-0.3	3.7658	-0.4	-
Singapore	(S$)	1.5342	-0.0038	339 - 344	1.5388	1.5339	1.5334	0.6	1.5331	0.3	1.5352	-0.1	-
S Africa (Com.)	(R)	3.6268	+0.001	260 - 275	3.6355	3.6150	3.6423	-5.1	3.6706	-4.8	3.7473	-3.3	-
S Africa (Fin.)	(R)	4.8350	+0.07	250 - 450	4.8450	4.7700	4.8687	-8.4	4.9275	-7.7	-	-	-
South Korea	(Won)	806.150	-	100 - 200	806.500	806.100	809.15	-4.5	812.65	-3.2	831.15	-3.1	-
Taiwan	(T$)	27.0768	-0.0007	745 - 790	27.0805	27.0745	27.0968	-0.9	27.1368	-0.9	-	-	-
Thailand	(Bt)	25.2350	+0.005	300 - 400	25.2400	25.2100	25.3075	-3.4	25.435	-3.2	25.918	-2.7	-

†SDR rate for Jun 3. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jun 3. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jun.6		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.03	16.57	4.867	1.975	4708	5.448	21.06	504.6	399.0	23.01	4.124	1.931	3.998	2.911	306.6	2.519
Denmark	(DKr)	52.56	10	8.710	2.553	1.038	2475	2.863	11.07	265.2	209.7	12.09	2.167	1.015	2.101	1.530	161.1	1.324
France	(FFr)	60.34	11.48	10	2.931	1.192	2841	3.287	12.71	304.5	240.8	13.88	2.488	1.165	2.412	1.757	185.0	1.520
Germany	(DM)	20.59	3.917	3.412	1	0.407	969.4	1.122	4.336	103.9	82.15	4.738	0.849	0.397	0.823	0.599	63.12	0.518
Ireland	(I£)	50.64	9.634	8.392	2.459	1	2384	2.759	10.66	255.5	202.1	11.65	2.088	0.978	2.024	1.474	155.2	1.276
Italy	(L)	2.124	0.404	0.352	0.103	0.042	100.	0.116	0.447	10.72	8.476	0.489	0.088	0.041	0.085	0.062	6.511	0.054
Netherlands	(Fl)	18.36	3.493	3.042	0.892	0.363	864.3	1	3.866	92.63	73.25	4.224	0.757	0.354	0.734	0.534	56.27	0.462
Norway	(NKr)	47.48	9.034	7.869	2.306	0.938	2236	2.587	10	239.6	189.5	10.93	1.958	0.917	1.898	1.382	145.6	1.196
Portugal	(Es)	19.82	3.770	3.284	0.963	0.391	933.1	1.080	4.174	100.	79.07	4.560	0.817	0.383	0.792	0.577	60.75	0.499
Spain	(Pta)	25.06	4.768	4.153	1.217	0.495	1180	1.365	5.278	126.5	100.	5.767	1.033	0.484	1.002	0.730	76.83	0.631
Sweden	(SKr)	43.46	8.268	7.202	2.111	0.858	2046	2.367	9.153	219.3	173.4	10	1.792	0.839	1.737	1.265	133.2	1.095
Switzerland	(SFr)	24.25	4.614	4.018	1.178	0.479	1142	1.321	5.108	122.4	96.77	5.581	1	0.468	0.970	0.706	74.34	0.611
UK	(£)	51.80	9.856	8.585	2.518	1.023	2439	2.822	10.91	261.4	206.7	11.92	2.136	1	2.071	1.508	158.8	1.306
Canada	(C$)	25.01	4.759	4.145	1.215	0.494	1178	1.363	5.268	126.2	99.81	5.756	1.031	0.483	1	0.728	76.68	0.630
US	($)	34.35	6.536	5.693	1.668	0.678	1617	1.871	7.235	173.3	137.1	7.905	1.418	0.663	1.379	1	105.3	0.865
Japan	(Y)	326.2	62.07	54.06	15.84	6.442	15359	17.77	68.70	1646	1302	75.06	13.45	6.297	13.04	9.496	1000.	8.216
Ecu		39.69	7.552	6.579	1.928	0.784	1869	2.162	8.360	200.3	158.4	9.134	1.637	0.766	1.587	1.168	121.7	1

Yen per 1,000: Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

EMS EUROPEAN CURRENCY UNIT RATES

WORLD INTEREST RATES

MONEY RATES

EURO CURRENCY INTEREST RATES

UK INTEREST RATES

LONDON MONEY RATES

BASE LENDING RATES

WORLD STOCK MARKETS

EUROPE

PACIFIC

NORTH AMERICA

AFRICA

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Monday, June 6, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Hitachi	6.2m	1070	-20	NKK	3.6m	278	-4
M'bishi Hvy	5.0m	763	-3	Nippon Steel Corp	3.4m	357	-7
Minebea	4.2m	807	+17	Fuji Hvy Inds	3.3m	456	+2
Kawasaki Steel	3.8m	403	-5	Sumitomo Metal Ind.	3.3m	296	-1
Oki Electric Ind	3.8m	684	-6	Mitsui Osk	3.3m	445	-3

INDICES

Thailand							
Bangkok SET (30/4/75)	1363.01	1358.00	1358.92	1753.73	4/1	1196.59	4/4
Turkey							
Istanbul Cmp.(Jan 1986)	16807.7	16072.9	15748.2	20883.60	13/1	12989.70	24/3
WORLD							
MS Capital Int (1/1/70)$	615.8*	616.3	616.9	641.90	1/2	591.60	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	1418.61	1403.38	1390.98	1640.19	31/1	1388.97	1/6
Euro Top-100 (26/6/90)	1228.79	1220.09	1209.87	1311.81	2/2	1208.88	1/6
JCapeDrgns (31/12/88)	(u)	313.86	313.56	365.19	5/1	290.28	21/3
Barings Emerg.(7/1/92)	158.78	157.36	157.58	182.72	14/2	141.65	21/4

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jun	2028.0	2015.0	-7.0	2035.0	2015.0	21,733	51,951
Jul	2026.0	2012.0	-7.0	2025.0	2015.0	317	2,475
Sep	2042.5	2029.5	-7.0	2050.0	2034.5	2,544	15,476

Open interest figures for previous day.

US INDICES

■ RATIOS

	Jun 3	May 27	May 20	Year ago
Dow Jones Ind. Div. Yield	2.68	2.69	2.69	2.91
	Jun 1	May 25	May 18	Year ago
S & P Ind. Div. yield	2.47	2.46	2.48	2.46
S & P Ind. P/E ratio	23.41	23.41	24.06	25.80

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	460.15	460.95	+0.80	461.50	459.75	77,983	174,591
Sep	463.20	463.30	+0.90	463.60	463.15	9,0493	55,077
Dec	465.70	465.90	+0.55	465.90	465.60	164	8,249

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
K Mart	4,624,900	15⅞	+⅛
Gen Motors	4,217,300	52⅞	-1⅜
Bausch Lom	4,072,000	41⅜	-8⅞
Lehman Bros	3,326,100	18	+¼
Wal-Mart	3,287,300	23⅜	+1⅛
Citicorp	2,976,600	40	-⅛
Telefonos	2,976,000	62¼	+1
JC Penney	2,791,500	48⅝	-1⅝
Merck	2,734,800	31	+¼
Philip Morris	2,658,300	49⅝	+⅛

■ TRADING ACTIVITY

● Volume (million)

	Jun 3	Jun 2	Jun 1
New York SE	279.381	271.110	276.475
Amex	18.200	14.917	13.740
NASDAQ	279.002	297.810	300.341
NYSE			
Issues Traded	2,816	2,817	2,795
Rises	1,340	1,275	1,176
Falls	779	868	826
Unchanged	697	674	693
New Highs	37	47	39
New Lows	37	39	46

Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded; HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jun 6 - 2163.59 +4.71

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close June 6

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17⅜	14⅛	AAR	0.48	3.3	479	105	14½	14¼	14⅜	
16⅞	13¼	A L Labs A	0.10	1.3	33	546	14⅝	14⅛	14⅛	
66	57⅛	AMP	1.68	2.8	22	1944	64⅝	64	64¼	-⅛
72⅜	52¼	AMR			26	2570	56⅝	56¼	56½	-⅛
5	3⅝	ARX			14	48	4⅝	4¾	4¾	-⅛
56⅛	38⅝	ASA	2.00	4.7	26	339	42⅝	42	42⅝	+⅜
31⅜	25⅜	Abbott.	0.76	2.5	17	7264	31⅜	30¼	30¼	-⅜
13⅜	11⅜	Abitibi Pr	0.50	4.0	8	223	12⅝	12½	12½	
13¾	11⅛	Acpincoin			23	120	12⅜	12⅜	12¾	+¼
31	24½	ACE Ltd	0.44	1.9	4	325	27½	27	27¼	+⅛
12½	10⅝	ACM Gvt In x	1.09	8.9		504	11¼	11⅛	11⅛	
10⅛	7⅞	ACM GvOop x	0.20	9.2		17	8⅝	8⅝	8⅝	-⅛
10⅝	8⅝	ACM Gvt Sp x	0.98	11.1		310	8⅝	8½	8⅝	+⅛
12	9⅛	ACM Gvt Se x	1.82	18.8		367	10⅜	10⅛	10⅜	+⅛
11⅞	8¾	ACM Man x	1.08	11.1		197	9¾	9½	9¾	+¼
9¼	8	ACM Managd x	0.72	9.5		76	8½	8⅜	8½	+⅛
15½	8¾	AcmeClv	0.44	4.1	13	83	10¾	10⅝	10⅝	-⅛
9¾	6⅝	Acme Elect			0	185	9⅛	9⅞	8	+⅜
28¾	22	Acordia x	0.60	2.1	14	2	28⅜	28⅜	28⅛	+⅛
9⅞	9¼	Actava	0.25	4.0	3	1112	9	8⅞	8	+⅛
15⅝	11¼	Acuson			112	350	14¼	14½	14⅝	
18⅜	16½	Adams Expr	0.40	2.8	0	89	17¼	17⅛	17⅛	-⅛
64	46½	Ad Micro x	2.00	5.2		174	59¼	57¼	57¼	-⅛
21¼	16¾	AdvMic	3.00	10.7	12	5064	28¾	27⅞	28	-¼
6⅞	5	Advest Grp	0.10	2.8	8	207	5⅝	5½	5⅝	
20	16⅜	Advo Inc	0.10	0.0	115	6	17⅜	17⅛	17⅜	+⅛
57¼	49⅜	Aegon ADR	2.95	5.7	11	17	52⅛	51⅝	52⅛	-⅛
60¾	49¾	AetnaL	2.70	4.6	9	2852	58	57⅜	57⅞	+¾
[illegible]										
53⅞	40½	Bausch x	0.80	2.3	16	15362	42⅜	41½	41⅞	+½
26¼	21⅝	Baxter x	1.00	4.0	36	7872	u26¼	25¼	25¼	-¾
28⅜	23⅜	Bay St Gas	1.46	5.8	15	65	25¼	24⅞	25⅜	+½
22½	18⅛	Bd Tr 1838	1.72	8.5		34	20⅝	20¼	20¼	-¼
23½	17½	Bear Stns	0.57	2.8	5	2585	20¾	20	20¼	-⅛
50	48½	BearStPIA	2.63	5.7		13	49½	49½	49½	
37½	27¾	Bearings	0.64	2.1	21	17	31⅝	30¾	31	-¼
28¾	23	Beckman In	0.46	1.5	21	360	29½	28½	29⅜	+¼

- A - (continued) [illegible]

- B - [illegible]

- C - [illegible]

- D - [illegible]

- E - [illegible]

- F - [illegible]

- G - [illegible]

- H - [illegible]

- I - [illegible]

- J - [illegible]

- K - [illegible]

- L - [illegible]

- M - [illegible]

- N - [illegible]

- O - [illegible]

- P - Q - [illegible]

- R - [illegible]

- S - [illegible]

Continued on next page

4 pm close June 6

NYSE COMPOSITE PRICES

1994 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		Continued from previous page								
27	19¾	Safeway			25	1381	25⅜	24⅝	25⅜	+⅜
6⅞	4⅞	SafewayW96				291	6	5¾	6	+¼
57⅞	50¼	StJoePaper	0.20	0.4	295	7	56⅛	56⅛	56⅛	-⅛
30¼	26½	StJoeLP	1.80	6.2	14	7	28⅞	28⅝	28⅞	+¼
90	75⅝	StPaul	3.00	3.8	8	544	79⅞	79¼	79¼	-⅜
9⅞	6⅛	Salant Crp			8	402	6⅞	6½	6¾	+⅜
49⅞	37¾	Sallie Mae x	1.40	3.7	7	4513	38¾	37⅞	38	-¾
13⅞	11⅞	Salomon Br	0.28	2.2		127	12½	12⅜	12½	
52¾	44¾	Salomn	0.64	1.2	7	2775	52	51¼	51¾	+½
25	18⅝	SnDgoE x	1.52	7.8	10	775	20⅛	19¾	19⅞	+.50
18	7½	SantaFeERs	0.16	1.8	9	1078	9⅛	8⅞	8⅞	-⅛
40	34½	SantaFePac	2.80	7.7	17	706	36¾	35⅞	36½	-⅜
26¾	19⅜	SanFeP	0.10	0.4	12	4062	23	22½	22⅝	+⅛
28	20⅛	SaraLee x	0.64	2.7	10	16754	23¾	23	23⅜	+⅝
85¼	42¾	Scana Corp x	2.82	6.4	11	281	44⅛	43⅝	44	+⅜
28½	13½	Scecorp	1.42	10.2	8	13225	14¼	13¾	13⅞	+⅛
40½	34¼	ScheringP			28	255	37	36¾	36⅞	-¼
69⅞	54½	SchrPl	2.04	3.1	15	2815	66⅛	65	65	-1
61½	50¾	Schlmb x	1.20	2.1	23	2063	57½	56½	56½	-⅞
33⅞	25¼	Schwab(C)	0.28	0.9	15	2629	33⅛	32⅜	32½	-⅞
10¾	6⅛	Schwitzer			23	0	6¼	6⅛	6⅛	-⅛
38⅞	24⅞	SciAtl x	0.12	0.3	73	578	37⅛	36⅞	36⅞	-¼
16⅞	13⅛	Scotman	0.10	0.7	13	58	14⅞	14¾	14¾	-⅛
49⅝	37¼	ScottP	0.80	1.7	12	2302	48¾	47¾	47¾	-⅜
28⅝	18⅝	ScuddrNAsF	0.21	0.9		133	24	23¾	23⅞	-⅛
12⅝	9¾	ScuddrNEuF	0.16	1.5		74	10⅞	10¾	10⅞	
18¼	13½	SeaCnB	0.70	4.4	7	z100	16	16	16	+¼
16½	15⅛	SeaC1.4625 x	1.46	0.1		18	16	15¾	16	
31⅝	26¼	Seagram	0.56	1.8	40	5485	u32	31½	31¾	+⅛
29¾	23	Seagull En			34	407	26	25⅞	26	+½
31¾	26⅝	Sealed Air			21	17	28¾	28⅜	28⅝	+⅛
55⅛	42¼	SearsR x	1.60	3.2	0	6163	51½	49¾	50	-1
13¾	11¼	Seligm Sel	0.24	6.8		92	12⅜	12¼	12¾	+⅛
39¼	26⅝	Sensormat	0.22	0.7	30	3333	29⅞	28½	29¼	
[illegible]										

1994 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- X - Y - Z -								
104⅞	87¾	Xerox x	3.00	2.0	44	1700	104⅛	103½	104	+¼
34½	50	Xerox4.125	4.12	7.6		3	34⅛	54⅛	54⅛	
51¾	40	Xtra Corp	0.56	1.1	23	720	u51⅞	50⅝	51⅞	+⅞
25½	20	Yankee Egy x	1.22	5.6	12	40	21¾	21¼	21⅝	+⅛
40	33⅞	York Int	0.16	0.4	16	268	36⅞	36¼	36⅞	+1
6¾	4¼	Zapata				1260	4⅞	d4¾	4¾	
13½	7	ZenithEl			3	1008	10	9½	9½	-⅜
24¼	20⅝	Zenith Nat	1.00	4.3	6	30	23½	23⅜	23⅜	-⅛
7⅞	6⅝	Zenix Inc	0.82	11.3		59	7¼	7⅛	7¼	
16⅛	11¾	Zero	0.40	3.2	15	147	12½	12⅛	12½	+⅛
29¾	20⅛	Zurn Ind	0.88	4.0	10	102	22⅞	22	22	-⅞
13⅞	12⅛	Zweig Fund	1.16	9.2		166	12¾	12⅝	12⅝	-⅛
10¾	9⅛	Zweig Tot	0.84	8.8		216	9½	9⅜	9½	+⅛

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1994.
Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganized under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close June 6

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
CircPa	0.04	25	508	10⅛	9⅞	9⅞	
Cmfrt FdA	0.01		90	5⅜	5¼	5⅜	
HanDr		38	3958	6⅝	6¼	6⅝	+¼
Hasbro	0.28	14	3827	32¾	32½	32½	
Olsten	0.24	154	500	32¾	32¾	32½	
Pegasus G	0.40	88	1385	16⅛	15½	15⅞	-⅛
Cyrornx		4	109	4⁷⁄₁₆	4⁵⁄₁₆	4⁷⁄₁₆	

NASDAQ NATIONAL MARKET

4 pm close June 6

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
[illegible]							

AMERICA

Pepsico falls after Goldman downgrade

Wall Street

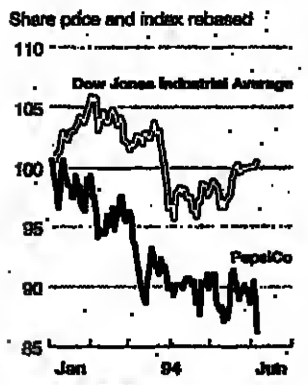
Blua chips rose modestly as renewed optimism over interest rates carried over into the new week, *writes Frank McGurty in New York.*

By 1pm, the Dow Jones Industrial Average was 9.23 better at 3,781.45, but the more broadly based Standard & Poor'a 500, up 0.73 at 460.86, barely managed to nudge into positive territory.

Activity was sluggish, with 136m issnes traded on the NYSE by early afternoon.

In the secondary markets, the American SE composite inched 0.72 ahead to 442.56 and the Nasdaq composite was up a scant 0.57 at 742.95.

Share price and index rebased



Source: FT Graphite

After last week's barrage of data, a blank economic release calendar gave investors time to reflect on supportive comments made by three of the Federal Reserve's five governors. An article in The New York Times quoted the officials as saying that inflation was now in check, suggesting the central bank would not make an early move to lift short-term rates again in the near future.

The prospect of low inflation and a stable monetary policy allowed the bond market to extend a rally that began on Friday with the release of data on May employment conditions. The benchmark 30-year bond was showing improvement by midday, a direction paralleled by most share prices.

Consumer products and food groups were actively traded. Philip Morris added $1⅞ to $50⅞ and Sara Lee, which announced a worldwide restructuring, was marked up $⅜ to $23⅞.

Pepsico dropped $⅞ to $34⅞, just above its 52-week low of $34½. Goldman Sachs removed the stock from its recommended list and cut its earnings estimate for the company, based on a disappointing performance by Pepsico's restaurant division.

Merger news was stirring up tha communications sector. Sprint was marked down $⅞ to $38⅞ after suspending talks on a possible link-up with Electronic Data Systems, the data-processing arm of General Motors. EDS, which are traded as class-E shares of its parent, dipped $¼ to $34⅞.

Meanwhile, Times Mirror dropped $3 to $33 on news that it agreed to sell its cable television operations to Cox Enterprises for $2.3bn. Cox shares are not publicly traded.

IBM gained $1⅞ to $62 on reports that its margins had improved recently. Compaq Computer jumped $2⅞ to $114⅞ but no fresh developments were driving activity.

In electronics retailing, CompUSA lost $2⅞, or about 22 per cent, to $9⅞, a new 52-week low for the stock. Janney Montgomery Scott recommended a sell following the company's warning of a possible fourth-quarter loss.

The Nasdaq was held back by weakness in the technology sector. Lotus Development dropped $1⅞ to $57 and Oracle fell $1⅞ to $36⅞.

Canada

Toronto was lower at noon in response to the easier bullion price. The TSE 300 composite index was down 4.79 at 4,276.23 in volume of 21.74m shares. Declines outpaced advances by 277 to 231 with 294 unchanged.

Toronto's precious metals sub-index slipped 2.1 per cent. Placer Dome was off C$⅞ to C$30⅞ and American Barrick fell C$⅞ to C$32.

Methanex and Nova Corp, the gas producers, continued to be heavily traded. Methanex receipts were up C$⅞ to C$10⅞ in volume of 1,569,400 shares while Methanex shares were up C$⅞ to C$17⅞ in 766,433. Nova Corp was up C$⅛ to C$12 in 755,968.

SOUTH AFRICA

Johannesburg was unnerved by gold bullion's dip below $380 an ounce, while a lack of foreign demand compounded the diminisbed interest of local investors. The overall index fell 38 to 5,462, industrials receded 38 to 6,539 and golds gave up 35 to 1,923.

EUROPE

Zurich up 1.9%, responds to US equity strength

Bourses were mostly sleepy, although Zurich and Tel Aviv managed to take sentiment to extremes, *writes Our Markets Staff.*

ZURICH pushed 1.9 per cent higher, led by the strength of the futures market in a belated response to Friday's performance on Wall Street. The SMI index rose 53.0 to 2,781.4, decisively above recent resistance at 2,770, prompting expectations that the index could now be heading for the 2,820 level.

Roche certificates, under furthar pressure last week, bounced SFr170 to SFr6,880. Renewed snpport was noted from Mr Martin Ebner's BZ Bank, with the market unperturbed by news that the pharmacenticals group bad extended the deadline for its agreed takeover of Syntex to July 1 after the US Federal Trade Commission asked for more information on the deal.

Sandoz registered added SFr9 at SFr700, their best performance since the group's bid for Gerber, the US babyfood producer, a fortnight ago.

Financials were in demand on stronger bond futures. UBS bearers moved ahead SFr30 to SFr1,245 and SBC bearers put on SFr13 at SFr430. CS Holding bearers, trading ex the dividend and a shareholder option, rose SFr18 to SFr611.

FRANKFURT featured an afternoon conflict between its bond and equity markets, the former influenced by qualified encouragement on interest rate and inflation prospects by Mr Dieter Hiss, a Bundesbank council member, and the latter watching Wall Street rise.

The Dax index extended Friday's carefree, but lightweight, pattern, climbing 14.68 to 2,163.07 on the session and holding its ground after hours to end at an Ibis-indicated 2,163.59. Turnover stayed low, up from DM5.1bn to DM5.2bn.

However, said Mr Horst-Kaspar Greven at Merck Finck in Düsseldorf, most of the gains cama on Friday afternoon when the Dax closed at 2,158.88; and while equities seemed sleepily content, this was not the case with bonds, down 25 basis points late in the day when US bonds were 66 points to the good.

Siemens exemplified the pattern of the day, up DM8.50 at DM708.50 on the session after its semiconductors subsidiary projected a 29 per cent sales gain in 1994; but the afternoon close was only DM1.50 higher at DM706.60.

FT-SE Actuaries Share Indices

Jun 6							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1413.79	1415.21	1413.46	1415.46	1417.12	1418.74	1418.69	1418.61
FT-SE Eurotrack 200	1430.06	1430.59	1429.92	1435.27	1432.57	1433.96	1433.65	1433.30

	Jun 3	Jun 2	Jun 1	May 31	May 27
FT-SE Eurotrack 100	1403.38	1390.96	1388.97	1399.73	1404.19
FT-SE Eurotrack 200	1417.13	1408.67	1399.53	1409.70	1414.33

Base 1000 (26/10/90); High/day: 100 - 1419.29; 200 - 1436.37 Low/day: 100 - 1413.43 200 - 1429.36

AMSTERDAM built on Friday's gains and the AEX index closed 4.27 up at 407.35, with strength in a broad range of blue chips. Activity was helped by an unexpected, 10 basis-point cut by the central bank in the special advance rate.

Wolters Kluwer, the publishing group, improved Fl 1.40 to Fl 112.40 after Goldman Sachs added it to its European Priority list. The investment bank said that it expected earnings per share to grow by 19 per cent over the next three years.

Unilever was among the day's disappointments, the shares declining 70 cents to Fl 191, as its "war of words" with Procter & Gamble over the quality of washing powders entered a new phase.

There was considerable technical trading in Nedlloyd, the transport and shipping group, under pressure last week with the shares losing some 7 per cent; this helped it to a gain of Fl 2.10 at Fl 68.00.

PARIS could find little to motivate activity and the CAC-40 index moved in a narrow 20 point range before closing off 5.49 at 2,037.15. Turnover eased to FFr3.9bn.

Euro Disney was again one of the few highlights, the stock rising FFr2.00 or almost 6 per cent to FFr36.50, as more buyers came into the market following last week's news of a capital injection by a Saudi prince. Carrefour dipped FFr7 to FFr1,910 as the retailer noted a 7 per cent rise in sales between January and May.

MADRID followed afternoon weakness in the bond market, the general index losing most of its early gains to close 0.77 higher at 327.06 in turnover of Pta28.8bn. For Kleinwort Benson, Ms Clare Miles advised investors to hold, saying that the economic recovery was continuing and that, each month, more indicators have been showing a reocvery of demand and output.

Construction stocks were among the better performers, Cubiertas rising Pta340 to Pta11,990, Pta200 to Pta15,400 and Huarte Pta65 to Pta1,905.

MILAN marked tima, the Comit index nudging 2.57 higher to 738.93 in very quiet trading.

Montedison was exceptionally active, adding L28 or 2 per cent to L1,458 in hefty volume of 27.4m shares as expectations grew that its proposed plastics merger with Shell would win the blessing of the European Union tomorrow.

The shares also benefited from rumours that Gemina might be building a stake; the financial holding company, which said on Friday that it had liquid funds of L320bn, put on L30 to L1,681.

STOCKHOLM found support in gains by Astra and Volvo, the Affärsvärlden index gaining 9.1 to 1,487.0.

Astra A shares gained SKr4 to SKr172 on speculation that it was close to assuaging German worries about its best-selling Losec ulcer treatment. Volvo B shares rose SKr23 to SKr747 in response to reports that sales volume rose by 25 per cent in the first five months of the year.

TEL AVIV dived 6 per cent, wiping out all of Sunday's 4 per cent gain, with mutual funds being seen as heavy sellers. The Mishtanim index finished 10.48 down at 172.30 in high turnover of Shk260m.

Written and edited by William Cochrane, John Pitt and Michael Morgan

ASIA PACIFIC

Nikkei continues downward technical correction

Tokyo

Equities fell for the third consecutive session yesterday, but market sentiment remained upbeat, *writes Robert Patton in Tokyo.*

The Nikkei 225 average lost 227.54 at 20,726.65. Altbough the index opened above Friday'a high at 20,954.19, prices drifted lower throughout the morning. Early declines were limited by overseas buying from both fnreign and domestic brokerage firms. But in the afternoon, index-linked selling brought the market down, pushing it to a day's low of 20,707.54 just before the close. Declines were well ahead of advances by 765 to 266, with 152 stocks unchanged.

The Nikkei 300 slipped 3.14 to 303.66 and the first section Topix index shed 15.10 to 1,664.52. Volume, estimated at 260m shares, was down sharply from the 382.8m that changed hands on Friday. In London the ISE/Nikkei 50 index firmed 2.45 to 1,369.72.

Many investors were waiting for Friday's release of the tankan, a quarterly survey of business sentiment by the Bank of Japan, and trading volume was likely to remain relatively light until then.

Although there were reports thet North Korea had threatened war if economic sanctions were imposed, analysts did not believe that this was a significant factor in the day's decline. Most felt that the market was simply going through an overdue correction after rising 3 per cent in recent weeks and topping 21,000 for the first time in eight months.

Minibea, a leading miniature bearing manufacturer, rose for the third consecutive day and hit a new high for the year of Y812 before closing Y17 up at Y807 after 4.3m shares traded, the third highest volume of the day. In the face of the strong currency, Minibea's expansion into south east Asia, with production bases in Thailand and Singapore, brokers said, made the company attractive to investors.

Many of last week's high-technology and large-capltal winners fell back, some on very active trading. Volume leader Hitachi slipped Y20 to Y1070 with 6.2m shares changing hands. Oki Electric closed at Y864, down Y6, and Fujitsu was off Y10 at Y1100.

Second most activa stock Mitsubishi Heavy Industries eased Y3 to Y763 with 5m shares dealt. Kawasaki Heavy Industries shed Y8 to Y375 and Mitsui Engineering and Shipbuilding declined Y7 to Y375.

In Osaka, the OSE average finished 117.52 off at 23,082.60 in volume of 56.2m shares.

Roundup

The region was mixed yesterday. Seoul and New Zealand were closed for holidays.

HONG KONG put aside worries that a government package to cool the housing market, to be announced tomorrow, would push commercial property prices lower as well. The Hang Seng index improved 148.76, or 1.6 per cent, to 9,383.03.

Among property issues, out of favour last week, Cheung Kong moved forward HK$1.25 to HK$39, Henderson Land gained HK$1.25 at HK$41.25 and Sun Hung Kai Properties rose HK$2 to HK$52.50.

China's state-run Dongfang Electrical Machinery made a solid debut, ending at HK$3.175, against its HK$2.83 issue price.

HSBC picked up 50 cents to HK$86.50 after being sold last week on concern over the dilution from an enhanced scrip dividend.

KUALA LUMPUR was firmer after a session marked by active buying interest in second and third line counters. The composite index gained 4.57 at 970.06.

Among heavily traded issues, Granite Industries rose 95 cents to M$5.15, while Golden Hope put on 36 cents at M$4.24 amid reports that it would gain from a large government project.

SINGAPORE edged ahead, the Straits Times Industrial index adding 3.21 at 2,271.91 in volume of 98.8m shares.

Hotels found favour amid expectations that property groups were considering redevelopment projects. Hotel Negara led the gains, jumping S$1.00 to S$19.23, followed by Seaview Hotel with a 90-cent rise to S$11.10 on an upward revision of its net asset value, traders said.

TAIPEI finished off the session's high, with brokers forecasting that the market was heading for a period of consolidation. The weighted index was ahead 37.92 at 6,077.25 after seeing a high of 6,118.69. Turnover rose to T$73.8bn.

MANILA dropped sharply on profit-taking in a number of issues. The composite index slipped 38.12 to 3,022.06 in turnover down to 633m pesos from Friday's 820m pesos.

SYDNEY was deflated by a decline in the gold shares index, leading the All Ordinaries index off 6.1 at 2,072.5.

Brokers said that gold stocks were undermined by weaker bullion prices and Papua New Guinea's suspension of new mining projects. Turnover amounted to A$328.6m.

Newcrest Mining fell 28 cents to A$6.52, Dome Resources 7 cents to 45 cents and Highlands 4 cents to A$1.40.

BANGKOK firmed in low volume, the SET index closing 5.01 up at 1,363.01. Turnover was down to Bt4.5bn.

The finance sector was the day's biggest gainer, up 1 per cent, with Asla Securities Trading adding Bt1 at Bt99.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1994	Start of 1994	Start of 1994
Austria	-2.92	-3.51	+20.97	-12.12	-9.92	-8.38
Belgium	-2.80	-4.87	+18.96	-3.86	-0.28	+1.42
Denmark	-0.54	-3.73	+22.77	-4.01	-1.75	-0.08
Finland	-1.54	-1.71	+53.75	+11.21	+14.95	+16.90
France	-0.61	-5.06	+13.16	-8.66	-6.72	-5.13
Germany	-0.12	-4.82	+27.07	-6.49	-4.20	-2.56
Ireland	-0.70	-3.50	+14.50	-6.45	-4.08	-2.45
Italy	+0.37	-9.07	+35.20	+18.31	+23.00	+25.09
Netherlands	+0.83	-2.29	+22.30	-4.55	-2.34	-0.68
Norway	-4.09	-2.37	+26.57	+1.04	+3.54	+5.30
Spain	-1.27	+2.46	+20.79	-1.27	+1.16	+2.88
Sweden	-2.61	-1.92	+30.03	+4.49	+8.69	+10.54
Switzerland	+0.27	+2.53	+21.86	-6.06	-3.02	-1.37
UK	+0.95	-4.04	+5.79	-11.52	-11.53	-10.02
EUROPE	+0.07	-3.60	+15.88	-6.67	-5.09	-3.47
Australia	-1.10	+4.01	+18.86	-3.57	+3.17	+4.93
Hong Kong	-2.33	+7.48	+30.55	-22.65	-23.95	-22.65
Japan	+0.39	+4.22	+1.61	+15.93	+20.87	+22.93
Malaysia	-5.09	-6.72	+32.98	-27.06	-25.38	-24.11
New Zealand	-0.27	+6.15	+30.55	-2.08	+2.32	+4.06
Singapore	-3.03	+0.64	+25.41	-11.49	-8.95	-7.40
Canada	-0.71	+1.02	+10.73	+0.22	-5.65	-4.05
USA	+0.57	+2.62	+1.38	-1.22	-2.87	-1.22
Mexico	-0.08	+9.57	+51.60	-5.64	-13.20	-11.72
South Africa	+2.67	+2.97	+41.69	+11.76	-1.06	+0.62
WORLD INDEX	+0.22	+1.57	+6.47	+0.95	+1.75	+3.48

† Based on June 3rd 1994. Copyright, The Financial Times Limited, Goldman, Sachs & Co, and NatWest Securities Limited.

Weakness in Asia, excluding Japan, held back the FT-Actuaries World Index last week. Mr David Bates of Asia Equity in London says Singapore fell simply on its long term association with the trading of Malaysian equities. The real problem, he says, was margin calls and the anticipation of them in Kuala Lumpur, which left the domestic Malaysian equity market with a 5.1 per cent fall in local currency terms, taking its loss this year to 27.1 per cent; rumours of local brokerage failures added to the general malaise. Hong Kong's retreat was property related, following a disappointing land auction.

Brazil surges 7 per cent

Shares in São Paulo had surged 6.6 per cent by midsession, with foreign investors seen as heavy buyers. The Bovespa index was up 1,789 at 28,749 by 1pm in turnover of Cr313bn ($93m).

Brokers observed that investor sentiment was helped by reports at the weekend that Mr Fernando Henrique Cardoso, the current economy minister and e presidential candidate, had seen an improvement in his standing in opinion polls.

Salomon Brothers, in a recent commentary, noted thet the possibility of e victory in the October elections by the left-wing candidate Mr Luiz Inacio da Silva could not be ruled out, but placed the possibility of a Cardoso victory at around 55 per cent.

Analysts said that cyclical companies, such as food, retail and clothing concerns, remained firm throughout the morning, while other blue chips were also active.

Among the main movers, both Telebras and Vale do Rio Doce were up 6 per cent at Cr82.80 and Cr213 respectively.

Elsewhere, Petrobras, the oil group, gained 9 per cent at Cr205 and Sadia Concordia, the food group, 7.4 per cent at Cr1,880.

Mexico

Equities gained strongly in early trading, with the IPC index up 24.71, or 1 per cent, et 2,489.69.

Analysts commented that the market was led higher by a good performance from Telmex on Wall Street, the ADRs up $1 at $63⅞, while locally the "A" shares had risen 1.9 per cent and the "L" shares, available to foreigners, 1.7 per cent.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY JUNE 3 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY JUNE 2 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (69)	175.09	0.2	172.52	116.48	151.70	157.67	0.1	3.49	174.66	171.21	115.65	149.96	157.51	189.15	130.15	135.77
Austria (17)	169.47	-2.1	166.96	112.74	146.83	146.36	-1.0	1.11	173.19	169.78	114.67	148.70	147.81	195.41	142.90	145.32
Belgium (39)	164.96	-2.2	162.54	109.74	142.92	139.41	-1.4	3.95	168.60	165.27	111.63	144.78	141.32	176.57	141.92	144.43
Canada (106)	130.29	0.1	128.38	86.68	112.88	130.46	-0.1	2.60	130.22	127.65	86.37	111.80	130.57	145.31	121.46	127.89
Denmark (33)	247.01	-0.5	243.39	164.33	214.01	219.31	0.2	1.34	248.21	243.32	164.63	213.11	218.89	275.78	207.58	214.35
Finland (23)	144.02	-0.8	141.91	95.81	124.78	166.51	0.0	0.88	145.21	142.35	96.32	124.68	166.56	156.72	85.54	95.21
France (97)	166.93	0.8	164.48	111.05	144.62	148.88	1.7	3.03	165.51	162.25	109.78	142.11	146.41	185.37	149.60	155.44
Germany (58)	136.65	-0.2	134.64	90.91	118.39	118.39	0.7	1.74	136.91	134.21	90.81	117.55	117.55	147.07	107.59	111.97
Hong Kong (56)	378.47	0.3	372.92	251.78	327.91	375.50	0.3	2.99	377.37	369.94	250.31	324.02	374.35	506.56	271.42	290.03
Ireland (14)	180.67	-0.3	178.02	120.20	156.54	173.24	0.1	3.50	181.31	177.74	120.26	155.68	173.03	209.33	155.93	163.54
Italy (80)	85.80	-1.4	84.54	57.08	74.33	103.75	-0.1	1.52	87.05	85.33	57.74	74.74	103.85	97.78	57.86	70.38
Japan (469)	159.97	-0.9	157.62	106.42	138.60	106.42	-0.6	0.72	161.48	158.30	107.11	138.65	107.11	165.91	124.54	154.20
Malaysia (98)	448.90	1.1	442.32	298.64	386.94	447.89	1.3	1.80	443.90	435.15	294.43	381.14	441.93	621.63	312.51	342.15
Mexico (18)	2107.79	0.5	2076.85	1402.24	1826.17	7651.10	0.3	1.02	2097.74	2056.38	1391.38	1801.10	7626.10	2647.06	1431.17	1490.46
Netherland (26)	197.78	-0.3	194.86	131.56	171.34	168.47	0.5	3.39	198.37	194.46	131.57	170.32	167.58	207.43	164.22	165.04
New Zealand (14)	70.67	-0.2	69.63	47.02	61.23	63.12	-0.4	3.79	70.85	69.45	46.99	60.83	63.36	77.59	48.57	49.38
Norway (23)	189.16	-1.4	186.38	125.84	163.88	185.29	-0.5	1.78	191.74	187.96	127.18	164.63	186.29	206.42	150.61	156.95
Singapore (44)	340.33	-0.4	335.34	226.41	294.87	241.21	-0.1	1.78	341.78	335.04	226.69	293.45	241.53	378.92	242.46	260.13
South Africa (59)	268.81	1.2	264.86	178.83	232.89	279.96	0.5	2.23	265.60	260.36	176.16	228.04	278.65	280.26	175.93	196.42
Spain (42)	143.36	0.4	141.26	95.38	124.21	148.96	1.0	4.07	142.83	140.01	94.73	122.63	147.51	155.79	116.33	130.44
Sweden (36)	217.07	0.2	213.89	144.41	188.07	253.20	0.6	1.56	216.57	212.30	143.65	185.95	251.77	231.35	163.85	182.74
Switzerland (47)	157.95	-0.6	155.63	105.08	136.84	138.51	0.0	1.75	159.14	156.00	105.55	136.64	138.47	176.56	124.46	128.34
United Kingdom (205)	184.50	0.0	181.78	122.74	159.85	181.78	0.5	4.12	184.50	180.87	122.38	158.42	180.87	214.96	170.32	178.43
USA (519)	187.60	0.5	184.84	124.80	162.53	187.60	0.5	2.99	186.61	182.93	123.77	160.22	186.61	196.04	178.95	185.04
EUROPE (720)	163.69	-0.2	161.28	108.89	141.82	154.05	0.6	3.03	163.95	160.72	108.75	140.77	153.20	178.58	141.58	146.56
Nordic (115)	205.51	-0.2	202.49	136.72	178.05	208.26	0.3	1.44	205.91	201.85	136.58	176.80	207.59	220.60	165.82	169.12
Pacific Basin (750)	167.98	-0.7	165.52	111.78	145.54	115.96	-0.5	1.04	169.24	165.91	112.26	145.32	116.53	170.78	134.78	167.42
Euro-Pacific (1470)	166.04	-0.5	163.60	110.46	143.86	131.37	-0.1	1.85	166.89	163.60	110.69	143.29	131.45	170.78	141.98	152.85
North America (625)	184.04	0.6	181.34	122.44	159.45	183.66	0.5	2.85	183.11	179.50	121.45	157.21	182.74	192.73	175.67	181.46
Europe Ex. UK (515)	148.62	-0.3	146.44	98.87	128.78	136.45	0.6	2.38	149.01	146.07	98.83	127.93	135.66	157.47	122.37	126.80
Pacific Ex. Japan (281)	247.31	0.3	243.69	164.53	214.28	221.67	0.4	2.81	246.47	241.62	163.48	211.62	220.86	296.21	182.38	189.48
World Ex. US (1653)	167.28	-0.5	164.83	111.29	144.93	134.72	-0.1	1.87	168.04	164.72	111.45	144.28	134.78	172.51	142.94	153.22
World Ex. UK (1967)	171.88	-0.1	169.36	114.35	148.91	148.10	0.1	2.09	172.07	168.68	114.13	147.74	147.91	175.58	159.22	161.35
World Ex. So. Af. (2113)	172.44	-0.1	169.91	114.72	149.40	150.29	0.2	2.22	172.64	169.23	114.51	148.23	150.06	178.56	155.00	162.75
World Ex. Japan (1703)	182.06	0.3	179.41	121.13	157.78	176.81	0.5	2.88	181.60	178.02	120.45	156.92	175.91	195.20	165.72	169.46
The World Index (2172)	173.02	-0.1	170.48	115.10	149.90	151.27	0.2	2.22	173.16	169.78	114.87	148.70	151.09	178.97	155.17	162.87

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